Hera Group consolidated annual report as at 31st December 2009

describing performances, results and key indicators.

GRUPPO HERA

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0
introduction

Letter to the Shareholders

Dear Shareholders,

today, we'd like to present the 8th financial statements since the formation of the Hera Group.
The context in which business activities have been performed was obviously, and to a significant degree, affected by the general recessionary phase that didn't spare the Group which, nevertheless, delivered notable results thanks to the marked commitment of the entire Group.

The economic results, in relation to the contribution from individual business segments, were significant, also compared with the overall sector performance, with a 7.5% increase in the operating margin being recorded (up by Euro 39 million).

The steady performance of individual segments compared with the performance in the previous year confirmed the solidity of the multi-utility formula, regarding both regulated and free market activities.

In fact, the latter were able to off-set the heavy reduction in energy consumption and in the special waste field with intensive reinforcement of commercial policies which saw the customer base grow both in absolute terms and in terms of the number of services per customer.

Two major extraordinary operations were carried out during the year; the first, authorised through the proper increase in share capital by the Shareholders' Meeting, concerned the acquisition of gas networks in the traditional areas of Ravenna, Ferrara and Imola, while the second saw the purchase, via tender, of a 25% shareholding in multi-utility company AIMAG, which operates in Carpi and Mirandola.

This confirmed the continued and diversified focus of the Group on potential growth through external business lines too.

Last year also saw intense activities on the organisational front which concerned the de-corporatisation of operating companies in particular, with the subsequent simplification of internal relations within the Group and on another front, the creation of Herambiente, a Group company handling the management of waste treatment and disposal plant design, with the objective of developing existing assets and exploiting additional development opportunities.

Even in the difficult economic situation of 2009, the contribution to the area from the activities carried out, based on an approach involving continuity with previous years, saw a confirmation, at past levels, of the economic impact on stakeholders in our territory, just as with significant continuity in the level of investments and human capital management policies in our company.

Said decisions on continuity, which the Board of Directors deemed necessary, were not affected from the shareholder return standpoint, with the decision to propose to the Shareholders' Meeting the same dividend as the previous year, despite being confronted with a negative impact as a result of the well-known and debatable 'tax moratorium'

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As regards the aforementioned level of investments (Euro 390 million), the biggest efforts were put into the construction, which is almost complete, of 6 large-scale plants whose gradual realisation was envisaged ever since the company was formed: only the Rimini plant is still to be completed, which is forecast in the very near future.

The already mentioned commercial policy also received significant and satisfactory feedback in the annual evaluations given by customers on the quality of the services provided: thanks to the investments carried out in that regard, the level of the judgment expressed by customers rose once again, reaching the level of satisfaction envisaged in the Business Plan well ahead of schedule, with the number of 'satisfied' or 'highly satisfied' customers above 90%.

Obviously, the general economic problems require the same level of commitment in the current year too in order to remain on the desired path, in the meantime counting on certain sector regulatory issues being clarified, whose lack of definition certainly does not help company operations.

As regards said issues, particularly with regard to activities under concession, it will also be necessary to identify suitable times for meetings with the owners to implement decisions that sustain the future of the Group.

I would like to thank the Board of Directors, the Board of Statutory Auditors and the entire structure for the activities carried out and trust that the current year will deliver positive and valuable results.

The Chairman of the Board of Directors
(Mr. Tomaso Tommasi di Vignano)

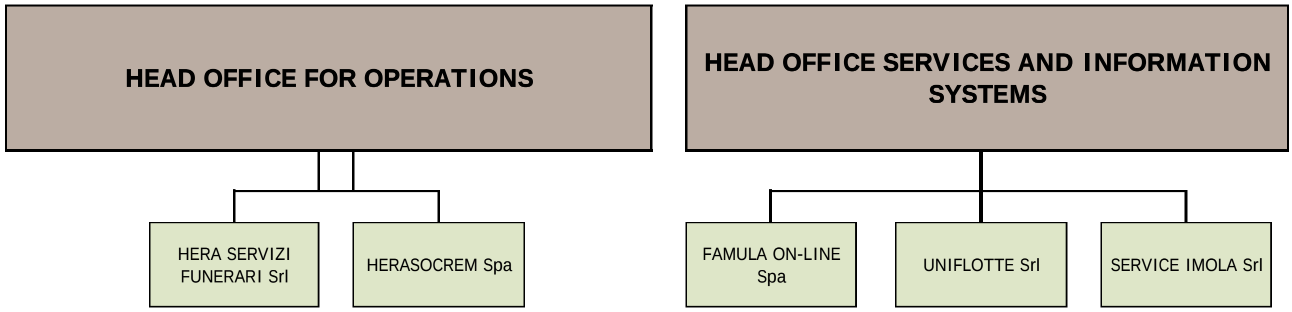
Bologna, 30 April 2010

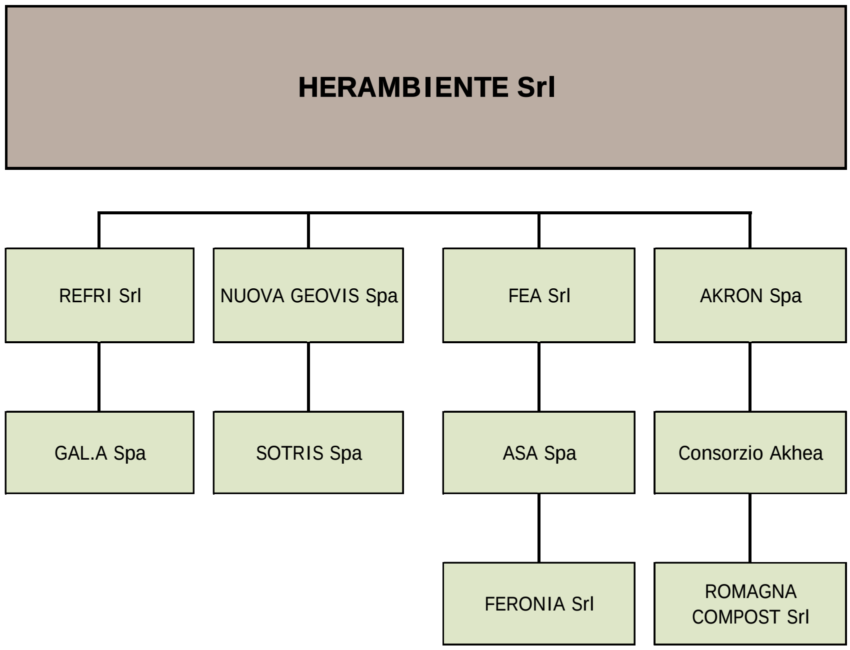
Hera's Mission

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

For Hera, being the best means inspiring the pride and trust of: customers, *who receive, thanks to Hera's responsiveness to their needs, quality services that satisfy their expectations;* ***the women and men who work at Hera****, whose skills, engagement and passion are the foundation of the company's success****; shareholders****, confident that the economic value of the company will continue to be generated, in full respect for the principles of social responsibility;* ***the areas in which Hera operates****, where economic, social and environmental health represent the promise of a sustainable future;* ***and suppliers****, key elements in the value chain and partners for growth".*

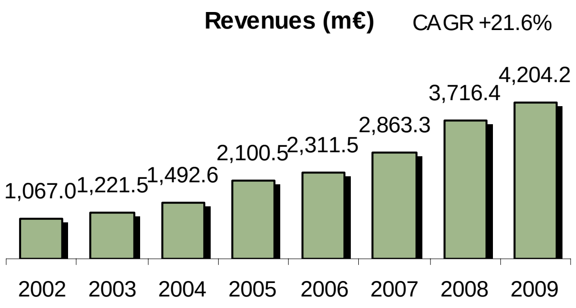
Group Structure

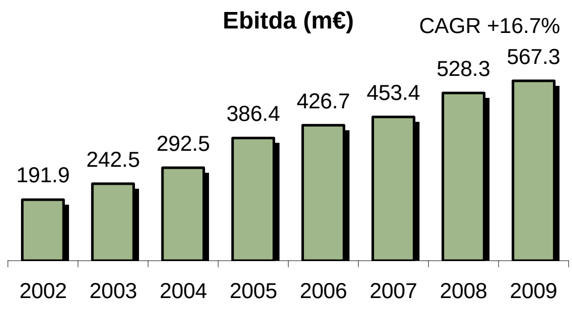


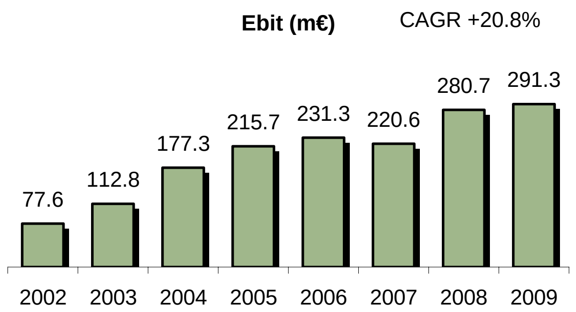


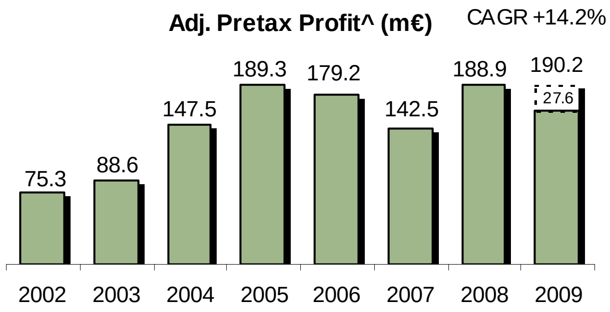
- *the disposal of the equity investments in Modena Formazione S.r.l., Democenter - Sipe S.c.ar.l., Acef S.r.l. and Oikothen S.c.ar.l. is scheduled.*
- *the merger by incorporation of Agea Reti S.r.l. in Hera S.p.A. is scheduled.*
- *companies in liquidation: Ingenia S.r.l. and Italcic S.c.a r.l.*

Highlights

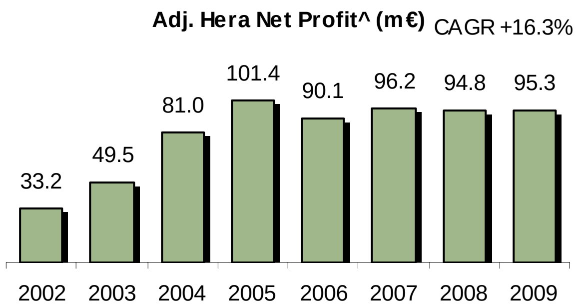


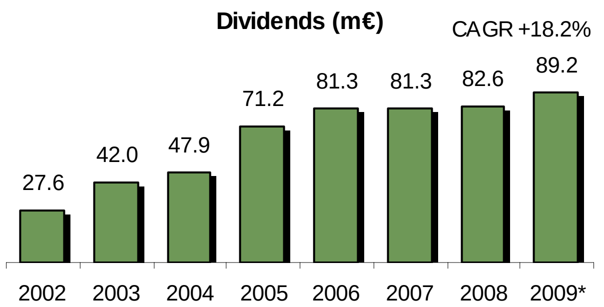


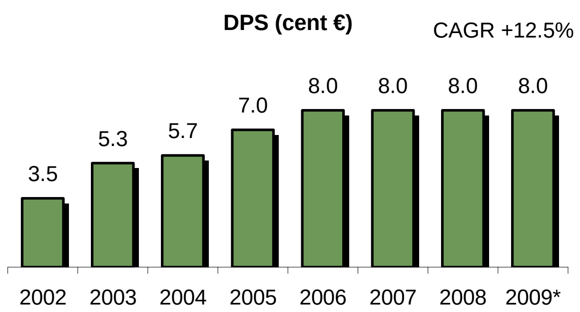


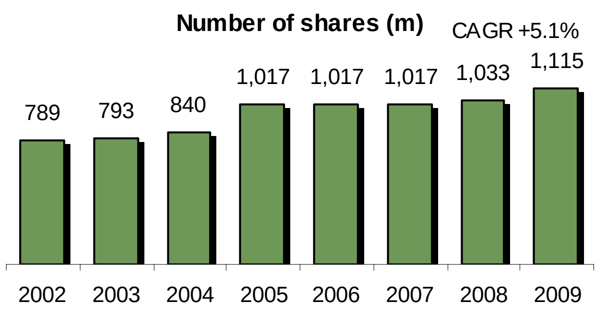


Extraordinary effect related to "moratoria fiscale"









^ Adjusted for "moratoria fiscale".

** To be approved by the Shareholders' Meeting of April 2010.*

Strategic approach

Hera aims to create value through a multi-stakeholder approach and focus on achieving growth in accordance with all internal and external development guidelines to benefit from both the economies of scale and to pool resources resulting from mergers with multi-utility companies operating in the sector.

Hera constantly aims to **improve efficiency** and employs an innovative organisational model based on the centralisation of certain general departments, and the maintenance of strong roots in the areas served. This model was subject to further development in 2009 with the transformation of Group operating companies into organisational units.

The Group has always been focused on the **development of open markets**, which has led to significant results in 2009 despite the recession. Special attention has been placed on the cross-selling policies of the services to the customer base.
The development of market share in the deregulated electricity and special waste treatment markets is currently supported by a strategy to develop plant capacities. Three new plants were finished and put into operation in 2009. The objective in regulated markets has been to strengthen supervision in the reference area only. A gas and district heating system distribution network was purchased in 2009 in the reference area in view of the upcoming call for tenders to supply services.

Hera also continues to pursue development opportunities for outside lines, both through the aggregation of multi-business firms in neighbouring areas, and with upstream companies in the chain of deregulated activities. The **multi-business** development line is focused on companies that operate in areas that border the reference areas, allowing greater economies of scale to be achieved, which support the management efficiency processes. Hera acquired 25% of the share capital of Aimag in November 2009, a multi-utility company that operates in the areas bordering the Modena and Mantua provinces. **Mono-business** operations are pursued with the aim of strengthening waste treatment activities, taking advantage of special favourable market conditions, or energy activities to pursue the development of sales with a balanced upstream integration policy in electricity generation.

Hera lays out its strategies in a business plan that is updated on an annual basis. The most recent update dates back to September 2009 (with a five-year plan to 2013) and indicates that the strategy is to achieve further market growth in both deregulated activities and upstream activities, in addition to confirming its focus on achieving synergy between costs and revenues, on developing new plants where electricity is generated from renewable sources, and on strengthening its plant base. The plan sets out the growth objectives that mainly rely on factors that are already in place, through development by internal growth lines (new plants recently started up or at an advanced stage of construction, future tariffs that have already been agreed for regulated activities, corporate restructuring already carried out).
The growth planned will be supported by a strong five-year investment plan, which will not be as ambitious as the last 3 plans on average since many of the “big plants” have already been built. Future investments will be fully funded by cash flows generated which will be capable of supporting an increasing dividend policy and maintaining the solid financial structure for the entire period the plan is in place.

Business Sectors

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

The efficiency and low risk associated with this balanced multi-business approach can be appreciated judging from the continued and uninterrupted growth of the consolidated EBITDA over the years, even in a difficult year like 2009.

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

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

Over the last seven years, the list of plant infrastructures has grown to 77 plants, capable of covering the entire range of possible waste treatments and recoveries, confirming the excellence of the Group on a national level.

Hera is also one of the main operators in Italy that generates electricity from waste, and is the only company that has managed to build and put 4 new WTE plants into operation in Italy over the last few years, increasing installed capacity to over 100 megawatts and 860,000 tons/year. Herambiente was established in July 2009, and is the special purpose entity created to facilitate supervision of the market and to exploit its unique professional experience gained from managing these plants to the full.

With respect to the lack of infrastructure in the Italian waste treatment sector, which culminated in the waste emergencies in Campania and Sicily, calls for tenders have been put in place to build new WTE plants in some regions of Italy. Herambiente is already preparing for participation in these calls for tenders in order to gain a foothold in this rapidly developing market.

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 with local authorities.

Increased efficiency in the management of more than 25,000 kilometres of water networks, economies of scale in purchasing and adjustment of 2008-2012 tariffs to meet legal requirements were the key factors behind the growth, combined with the contribution of growth from external lines.

Hera has almost complete coverage of the reference area in the **gas sector. It** is the biggest of the "local" companies and the fourth on a national level in terms of volumes distributed. With over 1.1 million customers, Hera sells over 2.8 billion cubic metres of gas per year.

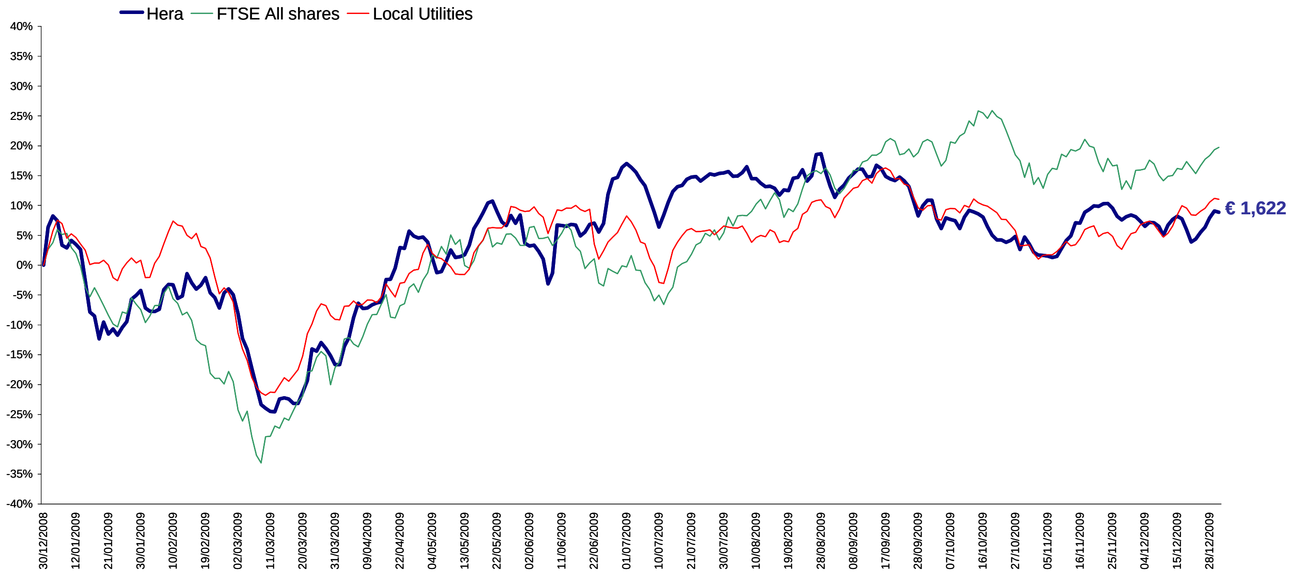
The Group has a direct transportation capacity from abroad, for about 400,000,000 m^3 of gas through the TAG gas pipeline. The Galsi gas pipeline currently under construction between Italy and Algeria will add a further one billion m^3 per year to this capacity.

Since its establishment, Hera has pursued a "dual fuel" sales strategy, allowing it to develop the **electricity market** at moderate growth rates, both through cross-selling to existing customers, and through expansion to new markets. Hera is one of the leading 10 Italian operators, and also one of the companies with the highest growth rates.

The development of sales was accompanied by the simultaneous balanced development of energy availability through the formation of joint ventures for the purchase of shares in combined cycle plants, the development of its own of generation plants from renewable or similar sources and the start-up of cogeneration plants.

Share performance

The FTSE Italia All Share index closed 2009 up +19.7%, the Italian Local Utilities index closed at +11.0%, while Hera shares closed at the official price of Euro 1.622, up +8.9% from the beginning of the year.



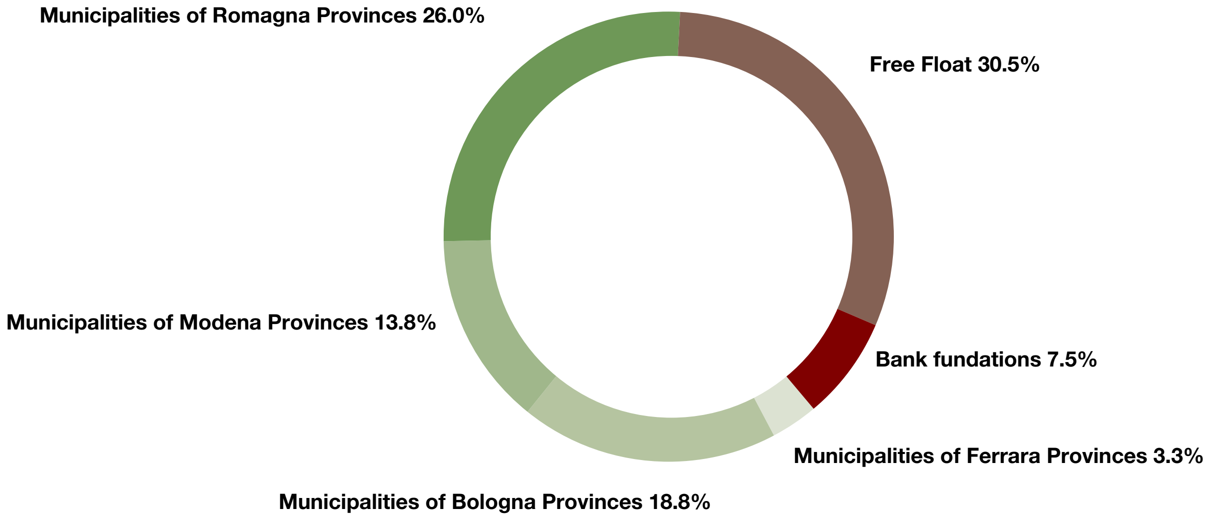
Hera's increased size, and the growth in liquidity and share levels since 2003 has led to its inclusion in multiple sector indices. Special mention goes to its entry onto the "Kempen SNS Smaller Europe SRI Index" which confirms the sustainability of Hera, further confirmed by its recent inclusion into the ethical indices "ECPI Ethical Index €uro" and "ECPI Ethical Index EMU".

12 independent studies regularly **cover** the Hera Group's shares, and half of these are international, namely: Banca Akros, Banca IMI, Banca Leonardo, Centrobanca, Cheuvreux, Equita, Intermonte, Kepler, Mediobanca, Merrill Lynch, Santander and Unicredit. The Hera share was repeatedly listed as one of the best (investment) picks in 2009 by various research reports such as Unicredit, Equita, Centrobanca, Banca IMI and Banca Leonardo. Hera is well rated by analysts to date, with 10 "Buy/Outperform/Add" ratings, and 2 "Neutral/Hold ratings"; the objective average share price at 12 months expressed by the analysts is Euro 2 per share.

The financial profile of the Group is evaluated by the two biggest international credit rating agencies: on 22 July 2009, Moody's reduced its **rating** of Hera from A1 to A2 and changed its outlook from stable to negative due to its long term debt, while on 17 April 2009, Standard & Poor's changed its credit rating of Hera, giving it a rating of A- (from A) due to its long term debt, and a rating of A-2 (from A-1) for the short term debt with a negative outlook.

Following a number of mergers, the **share capital** reached 1,032,737,702 ordinary shares with a par value of one euro each. On 1 December 2009 there was a share capital increase of 82.3 million shares, as approved by the Shareholders' Meeting of 21 October 2009, for the transfer of gas and district heating distribution networks by certain public institution shareholders of Hera: the share capital of Hera thereby increased to 1,115,013,754 ordinary shares.

Hera's shareholding structure is unique in the Italian sector, with a shareholding spread among more than 190 public institution shareholders from the reference area that hold a total of 62% (51% of which is bound by a shareholder agreement), over 400 Italian and foreign professional investors and over 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 31 December 2009, Hera held about 2,892,876 treasury shares in its portfolio.

The main **communication** instrument is definitely the web-site of the Group (www.gruppohera.it). The on-line financial communication section under the shareholders/financial intermediaries section (Investor Relations section) was subject to continuous improvement in 2009. Hera came second in the corporate sites of the leading 150 listed companies in Italy in the Web ranking 2009 classification established by Hallvarsson & Halvarsson, and first at European level, in the "electricity" sector companies.

Hera had 295 **meetings with investors** in 2009, up by 63% compared to the 181 meetings held in 2008, in addition to about 180 contacts through conference calls and videoconferences (webcasting). This was in response to the growing sense of uncertainty of the stakeholders at this time of deep uncertainty.

Administrative and auditing boards

Board of Directors	
Chairman	Tomaso Tommasi di Vignano
Vice-Chairman	Giorgio Razzoli
Chief Executive Officer	Maurizio Chiarini
Director	Mara Bernardini
Director	Filippo Brandolini
Director	Luigi Castagna
Director	Mauro Cavallini
Director	Piero Collina
Director	Pier Giuseppe 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
Internal control committee	
Chairman	Giorgio Razzoli
Member	Lanfranco Maggioli
Member	Daniele Montroni*
Member	Stefano Zolea
Remuneration committee	
Chairman	Giorgio Razzoli
Member	Mara Bernardini***
Member	Piero Collina
Member	Paolo Trombetti****
Executive committee	
Chairman	Tomaso Tommasi di Vignano
Vice-Chairman	Giorgio Razzoli
Member	Maurizio Chiarini
Ethics committee	
Chairman	Giorgio Razzoli
Member	Filippo Bocchi
Member	Mario Viviani*****
Independent auditing firm	
	PricewaterhouseCoopers

** In office since 20 July 2009   ** In office since 5 October 2009   *** In office since 19 July 2009*
***** In office since 12 November 2009   ***** In office since 27 January 2010*

Notice call of the Shareholders' Meeting

Hera Spa

Registered office in Bologna, Viale C. Berti Pichat no. 2/4

Share Capital Euro 1,115,013,754 fully paid-in

Enrolment number in the Bologna Register of Companies, Tax Code and VAT No. 04245520376

Shareholders are called to Ordinary and Extraordinary Shareholders' Meeting to be held in the Sala Auditorium of the Centro Congrassi – Cnr – Via Gobetti no. 101, Bologna on 29 April 2010 at 2 p.m. in first call and, if necessary, on **30 April 2010 at the same place at 10 a.m. in second call**, to discuss and deliberate on the following:

Agenda

Ordinary Part:

1. Financial statements as at 31 December 2009, Report on operations, proposal to allocate the profit and Report by the Board of Statutory Auditors: consequent resolutions;
2. Renewal of the authorisation to purchase treasury shares and procedures for arrangement of the same: consequent provisions.

Extraordinary Part:

1. Approval of the plan for merger by incorporation of Agea Reti S.r.l. into Hera S.p.A.;

The reports explaining the items and proposals on the Agenda are on file at the registered office of the company and the registered office of Borsa Italiana S.p.A., in accordance with law, and available to persons who may request a copy. They are also available on the Company's website www.gruppohera.it.

It is specified that the share capital is represented by 1,115,013,754 ordinary shares, of which currently 1,112,549,570 with voting right. Any change in treasury shares with pending voting right will be communicated upon the opening of the shareholders' meeting.

Those holding a voting right are eligible to attend the shareholders' meeting. Before the beginning of the meeting, the Company must receive the "notice" regarding shareholders with voting rights and issued by the authorised broker.

All those eligible to attend the meeting are entitled to be represented in the shareholders' meeting by written proxy, drawn up in compliance with regulations in force. To this purpose, the shareholder shall sign the special form included in the copy of the "notice" issued by the broker.

In order to facilitate the crediting procedures, it is recommended that those taking part to the meeting show the "notice" issued by the broker, pursuant to provisions set out by law. This notice shall reach the offices of HERA S.p.A., at least within three days before the date fixed for the shareholders' meeting, first call, by post or by fax (to +39 051-287.244).

Parties other than shareholders, who plan to attend the meeting, must forward their requests by mail or fax, with the same procedures and in the terms set forth above.

There is reason to believe that the necessary constituent quorum may not be reached for the meeting on first call and hence shareholders are informed that the meeting shall be held on second call on 30 April 2010 at 10 a.m. in the Sala Auditorium of the Centro Congressi – CnrR – Via Gobetti no. 101, Bologna.

Bologna, 17 March 2010

The Chairman of the Board of Directors

(Tomaso Tommasi di Vignano)

1
directors' report

1.01 Introduction

The Hera Group can show growth in all operating results for the seventh year running, despite the serious global financial crisis. In Italy, production levels fell up to 25% in 2009, GDP fell by almost 5%, exports fell by about 20.7% and imports by over 22%; demand fell for energy, waste and to a lesser extent water services, impacting on both open market activities, and services provided through concessions. Despite the significant effects of the crisis on customer demand, Hera's increased profits in 2009 were sustained by the success of its strategies regarding market expansion, plant development, and the increase in external lines and efficiency.

The growth strategy on deregulated markets led to a considerable increase in **electricity sales in 2009** (+38% compared to 2008) even disregarding the -6.4% effect of the financial crisis, in line with the average drop in electricity consumption in Emilia Romagna and Tuscany. This result is much improved over the 2008 performance (+17%) and enabled Hera to be included as one of the 10 electricity companies with the greatest rate and speed of growth in the Middle East, Europe and Africa in the Platts classification. The increase in sales in 2009 was achieved through a sales development policy that led to an expansion of the customer base from 287,000 to over 335,000, through cross-selling to existing customers and the gain of a share in new markets that are geographically close to the reference areas.

The Hera Group was able to exploit efficient sales capacity and after sales support, leading to a high rate of customer loyalty that helped cross-selling efforts. Hera was able to make commercially attractive proposals to gain customers in the new markets and areas, benefitting both from lower raw material market prices, and the Group's organisational structure.
Sales were evenly distributed among small to medium sized business customers and domestic customers, maintaining a final customer base with a good range of diversity.

Even in the **gas sales market**, where Hera is fourth on a national basis, and in an important position in the reference areas, sales in 2009 were up compared to 2008 (volumes at +12.4% and 5,000 new customers). These results were significantly influenced by the financial crisis (estimated as about -8% on a national level), but helped on the one hand by more favourable winter weather conditions which favoured consumption in the retail market and on the other, by maintenance of market share, as well as by the development of of Hera Trading wholesale activities .

The **industrial waste disposal market**, where Hera is the leader in Italy, was also affected by the financial crisis, due to the slowdown in production and industrial activity. This led to a 13.7% reduction of Hera's activity in the first half, leading to a commercial strategy being implemented whereby both the customer base was expanded through both cross-selling, using the customer base, in addition to expanding the market that is structurally incapable of satisfying internal demand for waste treatment. These policies were already bearing fruit in the second half of the year, allowing the year to be closed with a reduction in volume of 7.3%, implying an improvement of over 6 percentage points on the first half. Total waste volumes treated remained essentially the same thanks to the increase in urban waste volumes (+1.8%); management of waste flows ensured that WTE plant capacities were used to the full, thereby conserving the landfill capacity.

The plant development strategy, aimed at the vertically integrating the activities, was pursued, including by the construction of new plants, applying the expertise gained over the years to the construction and management of waste treatment plants and district heating plants. This strategy led to the starting up of 3 new plants in 2009: a 20 megawatt WTE plant in Modena, one of the biggest waste to energy plants of the Group, a new treatment plant for organic waste in Cesena for the production of renewable energy, with a capacity of 40,000 tons of waste per year, and finally an 80 megawatt cogeneration plant in Imola.

Even the **concession managed activities for the distribution of energy, collection of urban waste and integrated water services** contributed to the growth in profit in 2009, mainly due to the tariff adjustments in accordance with the national legally guaranteed returns and the new tariff systems. Specifically, the national authorities agreed certain verification procedures for gas distribution in 2009, and established definitive tariff levels for 2009 and 2010.

The **external line development strategy** also contributed to the improved results, with the acquisition of gas distribution and district heating networks in the Group reference area (Ferrara, Ravenna and Imola) that had previously been operated on a rented basis by the Group from the companies held by common shareholders of Hera. This acquisition led to the strengthening of the competitive position in view of the upcoming call for tenders for the gas distribution concessions. The operation, valued at about Euro 145 million, equal to the value of the networks recognised for regulatory purposes ("RAB"), means a saving on the rental payments which had been increasing, and generated certain extraordinary income related to the release of provisions allocated for the restoration of assets at the end of the lease period.
In addition, the acquisition of 25% of the share capital of Aimag was finalised, a multiutility company operating in the provinces of Modena and Mantua (in the nearby region of Lombardy) pursing the policy of development in bordering territories that are strategically relevant. This operation cost Euro 35 million, bringing the multiples into line with market values (about 6 times EV/EBITDA without including the value of the synergy that will result). Hera's share of the profits, related to the acquisition of Aimag, will be recorded in the current year's financial statements.

A further factor contributing to the growth, was that of increasing efficiency, both in terms of the synergy resulting from merging companies, and in terms of reducing costs of operating activities through corporate restructuring and reorganisation. The **reorganisation** of the regulated and deregulated energy activities was begun in 2009 (unbundling), of various management centres involving corporate restructuring related to the transformation of the TOCs (7 multi-business operating companies, fully held by the holding company) into organisational units, with the resulting centralisation of the holding functions.

The debt market gave an opportunity to further optimise the **Hera's financial structure**. The Group issued new bonds for Euro 650 million, and renegotiated the terms of an existing loan of Euro 200 million; in addition, assets were reinforced by the issue of 82.3 million new ordinary shares (8% increase in share capital, with an implied valuation of the shares of Euro 1.75) used to finance the purchase of the gas distribution and district heating networks.

The accounts suffered from the extraordinary effects of the global financial crisis, and also from another significant unexpected, non-recurring cost (Euro 28.3 million) related to the "tax moratorium", resulting from yet another reinterpretation of the regulations by the tax, government and EU authorities, regarding the repayment of tax concessions given to companies in the sector at the end of the 1990s and considered to be a type of "state aid". Thanks to the conservative risk management policy adopted by the Group, the effects of the tax moratorium on Hera were modest compared to the average in the sector. Upon establishment of the Group, an agreement was made providing that the risks related to the tax moratorium of the companies merged into the Group would be borne by the conferring municipal councils. The unexpected negative effect is related to the tax moratorium of the company previously known as Meta of Modena, a company incorporated after the establishment of the Group.

Disregarding the non-recurring effect of the tax moratorium, the improved results produced an adjusted net profit, after the minorities, of about euro 95.3 million for Hera, up 0.5% compared to 2008.

The Board of Directors will propose the distribution of a dividend equal to € 0.08 for each share and therefore for a total amount of € 89,201,100.32.
As the net profit of the Parent Company amounts to € 52,411,881.79, which can be distributed – once the portion to be allocated to the legal reserve has been deducted – for an amount of € 49,791,287.70, the amount of € 39,409,812.62 will be withdrawn from the reserve which was created in 2009 following the split-up of the local operating companies (Sot).
This reserve totals € 57,384,438.29 and is mainly composed of dividends that the local operating companies distributed to Hera Spa over 2009, and that Hera could not record in its financial statements (as it ha always been done in previous years) due to an accounting technical reason.

This reserve is called "reserve for surplus from split-up" and can be included in a reserve for profits. Therefore, the amounts in this reserve can be taken to integrate the portion of profits that must be distributed to shareholders.

1.02 Corporate events in 2009 and relevant events after year-end

2009 was characterised by continued rationalisation of the Group's structure, which led to the sale or liquidation of 11 investee companies, the acquisition of equity investments in 8 companies and 4 contribution-in-kind transactions as well as 12 merger / spin-off transactions.
During 2008, 6 investee companies were sold or liquidated, 6 companies in liquidation were deleted from the Register of Companies and there was 1 merger by incorporation of Ambiente 3000 Srl into Frullo Energia Ambiente Srl.
The main corporate M&A transactions which took place during 2009 are described below:

Hera Energie Rinnovabili Spa

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

Famula on-Line Spa

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

Pri.ge.a.s. Srl / Hera Spa

On 8 May 2009 Hera Spa acquired from the City of Prignano sulla Secchia 51% of the share capital of Pri.ge.a.s. Srl, a company operating in the field of gas distribution and management of the entire cycle of energy resources, primarily in the territory of the City of Prignano sulla Secchia, and thereby became the Sole Shareholder of the company. Subsequently, effective 31 December 2009, the merger by incorporation of Pri.ge.a.s. Srl in Hera Spa was completed. There were no changes to the latter's share capital as a result of this transaction.

Ecosfera Spa / Akron Spa

On 3 June 2009, Hera Spa transferred to its subsidiary Akron Spa 100% of the share capital of Ecosfera Spa, a company established to collect and dispose of industrial and civil waste, including managing plants for the storage, treatment, disposal and incineration of wastes. Subsequently, Ecosfera Spa was merged by incorporation in Akron S.p.A, effective 31 December 2009.

Recupera Srl / Herambiente Srl (formerly Ecologia Ambiente Srl)

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

Herambiente Srl (formerly Ecologia Ambiente Srl)

Also effective 1 July 2009, at the same time as the merger of Recupera Srl into Herambiente Srl, the Sole Shareholder Hera Spa completed the contribution in kind of its business branch containing the assets and equity investments of the Waste Management Division of Hera Spa to Ecologia Ambiente Srl, a company operating in the waste management sector. The contribution included equity investments held in Asa Spa, Feronia Srl, Frullo Energia Ambiente Srl, GAL.A Spa, Nuova Geovis Spa, Refri Srl, Romagna Compost Srl and Sotris Spa. By means of this transaction, the share capital of Ecologia Ambiente Srl went up from Euro 36,000,000 to Euro 271,148,000. The company also changed its name into Herambiente Srl

Akron Spa

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

Gastecnica Galliera Srl / Hera Spa

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

Hera Rete Modena Srl / Hera Spa

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

Marche Multiservizi Spa

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

The equity investment held by Hera Spa dropped from 41.87% to 40.64%.

Acantho Spa

On 14 October 2009, Hera Spa acquired 2,602,648 shares of Acantho Spa from Infracom Italia Spa, a telecommunications company, bringing its total to 10,848,706 shares, corresponding to 62.436% of the share capital.

Satcom Spa

On 14 October 2009, Hera Spa acquired 3,000 shares of Satcom Spa from Infracom Italia Spa, a telecommunications company, bringing its total to 12,500 shares, corresponding to 62.5% of the share capital.

Aimag Spa

On 10 November 2009, Hera Spa acquired 16,894,420 ordinary shares of Aimag Spa from the Shareholders Municipalities of Aimag Spa, a multiutility in the province of Modena and Mantova. These ordinary shares correspond to 25% of the share capital of the company, represented by ordinary shares.

Hera Spa

The Hera Spa Shareholders' Meeting of 21 October 2009 passed a resolution to increase share capital, from euro 1,032,737,702 to euro 1,115,013,754, or euro 82,276,052, by issuing 82,276,052 new ordinary shares, reserved exclusively for the Shareholders Municipality of Ferrara, Holding Ferrara Servizi Spa, Con.Ami and Area Asset Spa, effective 1 December 2009. The transaction consisted of a contribution in kind, consisting of the equity investment in Agea Reti Srl, for the stake held by the Municipality of Ferrara and Holding Ferrara Servizi Srl, for the gas distribution and district heating business units held by Con.Ami and the gas distribution business unit held by Area Asset.

Agea reti Srl

On 1 December 2009, following the effects of Hera Spa's aforementioned share capital increase from euro 1,032,737,702 to euro 1,115,013,754, Hera Spa increased its equity investment from 39.72% to 100% in the share capital of Agea Reti Srl, a company providing management of gas networks in the province of Ferrara. The company is expected to be merged by incorporation in Hera during 2010.

Sotris Spa

Within the transfer of Ambiente Mare Spa, on 23 December 2009, Hera Spa acquired from Petrokan Spa 225,000 shares in Sotris Spa, a waste management company, corresponding to 5% of the share capital.

Territorial Operating Companies / Hera Spa / Hera Comm Srl

Effective 31 December 2009, the total spin-off of the Territorial Operating Companies (Hera Bologna Srl, Hera Ferrara Srl, Hera Forlì-Cesena Srl, Hera Imola-Faenza Srl, Hera Modena Srl, Hera Ravenna Srl and Hera Rimini Srl), all fully owned by Hera Spa, was completed, with their entire equity being assigned to the beneficiary companies Hera Spa, for the operations management business units, and Hera Comm Srl, for the customer management business units.
This transaction caused no changes in the share capital of Hera Spa and Hera Comm Srl and resulted in the extinction of the Territorial Operating Companies.

Other transactions

Other transactions involving Hera Group companies were carried out during 2009:

Consorzio Akhea

On 19 October 2009, Herambiente Srl and Akron Spa established Consorzio Akhea, for the purpose of environmental recovery and decontamination of industrial sites and civil areas, in which the two companies hold 51% and 49% respectively of the consortium fund.

Acantho Spa / Satcom Spa

On 23 December 2009, Satcom Spa, a telecommunications company, signed a contract to lease Acantho Spa, with effective date 1 January 2010. Satcom is expected to be merged by incorporation in Acantho during 2010.

Significant events after year-end

Hera Comm Marche Srl / Aspes Gas Srl

Effective 1 January 2010, Aspes Gas Srl, wholly owned by Marche Multiservizi Spa, was merged by incorporation in Hera Comm Marche Srl, wholly owned by Hera Comm Srl, the purpose of both of the latter companies being the sale of natural gas and electricity to end customers.
Hera Comm Marche Srl's share capital, which had previously increased from Euro 100,000 to Euro 700,000, rose to Euro 1,458,332 as a result of the aforementioned merger.
Following this transaction, 48% of the share capital of the company was held by Hera Comm S.r.l and the remaining 52% by Marche Multiservizi Spa
Subsequently, on 2 February 2010, 12% of the share capital of Hera Comm Marche Srl was sold by Marche Multiservizi Spa to Hera Comm Srl Following this transaction, 60% of the share capital of Hera Comm Marche Srl is held by Hera Comm Srl and the remaining 40% by Marche Multiservizi Spa

1.03 Performance of the Hera Group in 2009

Consolidated summary results of the Hera Group:

millions of €	31-Dec-2008	% Inc.	31-Dec-2009	% Inc.	% Change
Revenues	**3,716.3**		**4,204.2**		**+13.1%**
EBITDA	**528.3**	**14.2%**	**567.3**	**13.5%**	**+7.4%**
EBIT	280.7	7.6%	291.3	6.9%	+3.8%
Net Profit	**110.3**	**3.0%**	**85.0**	**2.0%**	**-22.9%**

1.03.01 Financial and Economic Results

Year 2009 was marked by the repercussions of the global economic downturn that has led to a significant slowdown in economic activity.

Regarding the impact on the Group's business, in addition to a general drop in consumption, is also reported the reduction in special waste production and treatment and the substantial decline in demand for new connections and customer work.

Year 2009 benefited from the change to the tariff system of gas distribution. The resolution 159/08 of the AEEG (Italian Authority for Electricity and Natural Gas), in fact, has revamped the tariff structure, in particular:

- on the thermal-year duration, making it coincide with the calendar year, whereas previously it was set from 1 October to 30 September of the following year;
- on the creation of an adjustment fund to offset any differences compared to the standard volume distribution, making weather conditions all but irrelevant.

Results proposed in the following pages take into account the two non-recurring operations described below:

1. the termination of the branch lease contract with companies Area Asset and Con.Ami, in the context of the share capital increase through conferment of the gas and district heating networks already operated by the Group; operation that has generated a non-recurring positive effect of Euro 16.8 million, while the savings generated by the contract termination, amounted to Euro 3.9 million in 2009 and to 5 million, on an annual basis, also for the coming years.
2. the recovery by the Inland Revenue of the so-called "state aid" related to "tax moratorium". In fact, year 2009 shows a negative result for a total amount of Euro 27.6 million, of which Euro 15.3 million are related to the recovery of taxes, classified as "other non-operating costs", and Euro 12.3 million for interest expenses. It is only fit to mention that some of these charges are not tax deductible, therefore, producing an additional negative effect of around Euro 5.3 million, in terms of higher taxes.

Regarding the corporate structure, we should underline the reorganization of the territorial supervision, which has seen the spin-off of the Territorial Operating Companies benefiting from the parent Hera Spa and its subsidiary Hera Comm, the latter for customer management tasks.

The operation, which had no impact on the results of the Group, shall have positive consequences in the coming years, as it shall simplify the administrative relations among the components of the Group while placing the focusing on the Group business. The only effect on the financial statements of 2009 is derived from the different accounting treatment of work carried out by the territorial operating companies, which is not entered into the income statement, thus allowing a reduction of capitalized costs, with no effect on margins.

The results as at 31 December 2009, despite the effects of the economic crisis mentioned in preceding paragraphs, show growth for all operational indicators compared to 2008 and including the negative effects of the tax moratorium in the non-typical operations, as provided in the following table in which the Group's main results are summarized:

Income Statement (millions of €)	31-Dec-2008	% Inc.	31-Dec-2009	% Inc.	Abs. Change	% Change
Revenues	3,716.3		4,204.2		+487.9	+13.1%
Changes in inventories of finished products	2.6	0.1%	(1.9)	0.0%	-4.5	-172.8%
Other operating revenues	73.1	2.0%	82.8	2.0%	+9.7	+13.3%
Raw and other materials	(2,421.4)	-65.2%	(2,774.9)	-66.0%	+353.5	+14.6%
Service Costs	(716.0)	-19.3%	(633.4)	-15.1%	-82.6	-11.5%
Other operating costs	(43.7)	-1.2%	(37.4)	-0.9%	-6.3	-14.4%
Personnel costs	(331.1)	-8.9%	(352.0)	-8.4%	+20.9	+6.3%
Capitalised costs	248.5	6.7%	80.0	1.9%	-168.5	-67.8%
EBITDA	**528.3**	**14.2%**	**567.3**	**13.5%**	**+39.0**	**+7.4%**
Amortization, Depreciation, Allowances	(247.6)	-6.7%	(276.0)	-6.6%	+28.4	+11.5%
EBIT	**280.7**	**7.6%**	**291.3**	**6.9%**	**+10.6**	**+3.8%**
Financial charges	(91.9)	-2.5%	(113.4)	-2.7%	+21.5	+23.4%
Other non-operating costs	-	0.0%	(15.3)	-0.4%	+15.3	+0.0%
Pre-tax profit	**188.9**	**5.1%**	**162.6**	**3.9%**	**-26.3**	**-13.9%**
Tax	(78.6)	-2.1%	(77.6)	-1.8%	-1.0	-1.3%
Net profit for the year	**110.3**	**3.0%**	**85.0**	**2.0%**	**-25.3**	**-22.9%**

Revenues as at 31 December 2009 amounted to Euro 4,204.2 million, up 13.1% over 2008, EBITDA increased from Euro 528.3 million in 2008 to Euro 567.3 million in 2009, up + 7.4%, and EBIT from Euro 280.7 million to Euro 291.3 million, up 3.8%. Following the impact of the aforementioned tax moratorium, pre-tax profit was down 13.9%, from Euro 188.9 million in 2008 to Euro 162.6 million in 2009. Net profit/loss for the year changed from Euro 110.3 million as at 31 December 2008 to Euro 85.0 million in 2009.

The increase in Revenues, amounting to Euro 487.9 million, is almost entirely attributable to the Electricity Area, which accounts for about Euro 470 million, mainly linked to higher trading volumes and the rising raw material costs.

The increased Costs of raw materials and consumable materials, amounting to Euro 353.5 million (+14.6%), is linked to the increase in electricity unit costs mentioned and the higher volumes traded for about Euro 400 million, partially offset by lower capitalized costs for about Euro 24 million, of which approximately Euro 15 million can be attributed to the different accounting treatment, and the remaining part to the reduction in the purchasing cost of the gas raw material.

Other operating costs (Services costs were down by Euro 82.6 million and Other operating costs by Euro 6.3 million), saw a total decrease of Euro 88.9 million (-11.7%); the reduction is attributable by approximately Euro 136 million to lower costs on internally capitalised activities, of which Euro 117 million are due to the different accounting treatment and the remaining part due to a reduction in the activity level, particularly in the Integrated water cycle; net of the accounting treatment variance, Other operating costs would have been up by approximately Euro 47 million (+6.2%), mainly linked to the consolidation of companies operating in the telecommunications sector.

The increase in Personnel costs, which rose from Euro 331.1 million in 2008 to Euro 352.0 million in 2009 (+6.3%), should be attributed for approximately 50% to the effects of changes in the perimeter and for the remainder to the evolution of the contractual dynamics.

The reduction of Capitalised costs, which decreased from Euro 248.5 million to Euro 80.0 million, is connected for Euro 132 million to the different accounting treatment resulting from the spin-off of the territorial operating companies, and the remaining part to lower internal investment, particularly in the Integrated Water Cycle, details of which are provided in the specific section.

The consolidated EBITDA of the Group as at 31 December 2009 increased from Euro 528.3 million in 2008 to Euro 567.3 million in 2009 (+7.4%), due to the effect of the operational factors outlined above and of the extraordinary capital gains obtained in the conferment of the gas and district heating networks.

Amortisation and Depreciation and allowances increased by 11.5%, from Euro 247.6 million as at 31 December 2008 to Euro 276.0 million on 31 December 2009. This increase is due for about one third to the consolidation of telecommunications activities, and the remainder to the new investments that started operations during the year, in addition to the increase of the bad debt provision.

The 2009 financial statements show an EBIT of Euro 291.3 million, an increase of 3.8% compared to 2008, which was particularly positive given the adverse macroeconomic environment generated by the recession that characterized the last twelve months.

With regard to financial management, 2009 results were impacted by the recovery of so-called "state aid" for a total of Euro 27.6 million, of which Euro 15.3 million correspond to Other operating costs and Euro 12.3 million to interest expenses within Financial operations.

Financial operations for 2009 recorded a negative result of Euro 113.4 million compared to Euro 91.9 million in 2008. If we consider that in 2009 they registered, compared to the previous year, greater profits from associated companies by Euro 2.6 million and exceptional items related to the tax moratorium, equal to Euro 12,3 million (Euro +9.2 million compared to 2008, which discounted the higher financial charges related to the recalculation of the amortisation rate of mortgages with respect to Cassa Depositi e Prestiti), the net increase in Financial Charges amounted to Euro 14.8 million, of which only Euro 7.1 million are related to the increased debt burden while the rest is due to the application of IAS principles.

In light of the above, the Pre-Tax Profit rose from Euro 188.9 million at 31 December 2008 to Euro 162.6 million in 2009, a decrease of 13.9%; net of the tax moratorium effect, pre-tax profit would have improved by Euro 1.3 million, which considering the overall economic scenario, reveals the continued attention of the Group on cost containment and management efficiency.

Income Taxes slightly decreased from Euro 78.6 million in 2008 to Euro 77.6 million in 2009. We already mentioned that the tax burden for the year 2009 saw additional taxes for approximately Euro 5.3 million, because of the non-deductible nature of some of the charges related to the tax moratorium.

The Net Result as at 31 December 2009 therefore stands at Euro 85.0 million, down 22.9% compared to Euro 110.3 million in 2008.

Analysis of the Group's balance sheet:

The following table illustrates the performance of the Group's net capital employed and the sources of financing as at 31 December 2009 with respect to the situation at the previous year-end.

Balance sheet (millions of €)	31-Dec-2008	% Inc.	31-dic-09	% Inc.	Abs. Change	% Change
Net fixed assets	3.594,5	114,1%	3.985,8	110,9%	391,3	+10,9%
Net working capital	(22,9)	-0,7%	26,8	0,7%	49,7	-217,2%
(Provisions)	(421,0)	-13,4%	(420,0)	-11,7%	1,0	-0,2%
Net capital employed	**3.150,6**	**100,0%**	**3.592,5**	**100,0%**	**441,9**	**+14,0%**
Shareholders' equity	1.579,1	50,1%	1.700,7	47,3%	121,6	+7,7%
Long-term debt	1.563,2	49,6%	2.143,7	59,7%	580,5	+37,1%
New short-term debt	8,3	0,3%	(251,9)	-7,0%	(260,2)	-3148,2%
Net financial position	1.571,5	49,9%	1.891,8	52,7%	320,3	+20,4%
Total sources of financing	**3.150,6**	**100,0%**	**3.592,5**	**100,0%**	**441,9**	**+14,0%**

Net capital employed in 2009 increased by 14.0% from Euro 3,150.6 million to Euro 3,592.6 million due to the substantial investment plan explained in more detail below, to the integration of Satcom and Acantho in the consolidation perimeter, and to the contribution of Gas and District Heating networks to corporate assets.

With regard to net fixed assets, which as at 31 December 2009 amounted to Euro 3,985.8 million, against 3,594.5 in December 2008, indicating an increase in tangible and intangible assets.

Provisions as at 31 December 2009 were broadly in line with the values of the previous year, amounting to Euro 420.0 million as at 31 December 2009 against Euro 421.0 million as at 31 December 2008.

Net working capital grew, rising from Euro -22.9 million as at 31 December 2008 to Euro 26.8 million as at 31 December 2009. This increase should be viewed in relation with the turnover growth experienced in the period.

Shareholders' equity, which rose from Euro 1,579.1 million to Euro 1,700.7 million, was impacted by the share capital increase and consolidation operations mentioned above for which further details are provided in their specific paragraphs.

The reconciliation statement between the separate financial statements of the parent company and the consolidated financial statements as at 31 December 2009 is shown hereunder

Reconciliation statement between the separate financial statements of the Parent Company and the consolidated financial statements	Net profit/loss	Shareholders' Equity
Balances as per the Parent Company's financial statements for the year	52.412	1.646.376
Dividends for the year	-31.349	
Valuation at equity of companies recorded at cost in the financial statements	3.497	3.162
Book value of consolidated equity investments		-581.649
Shareholders' equity and profit/loss for the year of consolidated companies	48.359	544.000
Assignment of differences to assets of the consolidated companies and related amortisation/depreciation:		
- Goodwill due to consolidation		54.965
- Specific plants	0	4.782
Other adjustments to cancel the effects of infragroup transactions	(1.867)	(29.030)
Total	71.052	1.642.606
Assignment of third party quotas	13.912	58.125
Balances as per consolidated financial statements	84.964	1.700.731

Analysis of net financial position of the Group:

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

millions of €		31-Dec-2009	% Inc.	31-Dec-2008	% Inc.	Abs Change	% Change
a	**Cash**	**350.3**		**193.6**	**0.0%**		**+0.0%**
b	**Other current financial receivables**	**20.7**		**6.8**	**0.0%**		**+0.0%**
	Current bank liabilities	-22.5		-109.7	0.0%		+0.0%
	Current portion of bank indebtedness	-75.1		-79.3	0.0%		+0.0%
	Other current financial liabilities	-14.3		-15.0	0.0%		+0.0%
	Financial leasing payables maturing within the next year	-7.1		-4.7	0.0%		+0.0%
c	**Current financial indebtedness**	**-119.1**		**-208.7**	**0.0%**		**+0.0%**
d=a+b+c	**Net current financial indebtedness**	**251.9**	**-13.3%**	**-8.3**	**0.5%**	**(260.2)**	**+3134.9%**
e	**Non-current financial receivables**	**10.1**		**8.5**	**0.0%**		**+0.0%**
	Non-current bank liabilities	-394.0		-439.4	0.0%		+0.0%
	Bonds issued	-1,631.5		-999.7	0.0%		+0.0%
	Other non current financial indebtedness	-118.9		-121.4	0.0%		+0.0%
	Financial leasing payables maturing beyond the next financial year	-9.4		-11.2	0.0%		+0.0%
g	**Non-current financial indebtedness**	**-2,153.8**		**-1,571.7**	**0.0%**		**+0.0%**
h=e+f+g	**Net non-current financial indebtedness**	**-2,143.7**	**113.3%**	**-1,563.2**	**99.5%**	**580.5**	**-37.1%**
i=d+h	**Net financial indebtedness**	**-1,891.8**	**100.0%**	**-1,571.5**	**100.0%**	**320.3**	**-20.4%**

The net financial position rose from Euro 1,571.5 million as at 31 December 2008 to Euro 1,891.8 million as at 31 December 2009. The increase was due, other than to the changed consolidation perimeter for approximately Euro 20 million and to the repayment of the so-called "state aid" amounting to Euro 27.6 million, to the increased turnover and investments made.

An indebtedness mainly comprising medium/long term debt covering over 95% of total indebtedness, is confirmed, dully offsetting the Group's equity structure characterized by a high fixed assets value.

Hera Spa's long-term rating issued by Moody's is "A2" and Standard & Poor's rating is "A-" ,both with negative outlook.

Investments

The tangible and intangible assets of the Group amounted to Euro 391.5 million compared with Euro 419.7 million in the corresponding period last year. In the same period, financial investments were also made for Euro 36.8 million. These investments refer to the increased potentiality in the energy sectors through equity investments in new plants such as, by way of illustration, the Galsi pipeline, and a financial investment in the multiutility AIMAG.

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

Total Investments (millions of €)	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Gas area	67.6	64.1	-3.5	-5.2%
Electricity area	48.9	37.9	-11.0	-22.5%
Integrated water cycle area	114.1	105.4	-8.7	-7.6%
Waste management area	125.2	118.1	-7.1	-5.7%
Other services area	6.3	12.0	+5.7	+89.8%
Central structure	57.5	54.0	-3.5	-6.1%
Total operating investments	**419.7**	**391.5**	**-28.2**	**-6.7%**
Total financial Investments	9.9	36.8	+26.9	+270.5%
Total	**429.7**	**428.3**	**-1.4**	**-0.3%**

Investments relating to the **Gas** service in the area in question, regarded expansion, enhancement and upgrading of networks and plant systems. District heating service investments concerned extension work to the service, mainly in the areas of Bologna (Euro 5.4 million), Imola (Euro 6.2 million), Forlì Cesena (Euro 9.1 million), and Ferrara (Euro 2.9 million) whereas Heat Management service investments concerned structural work on thermal plants operated by companies of the Group. Others investments related to the acquisition of rights of way on foreign pipelines to transport raw material.

Gas (millions of €)	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Hera SpA network	35.0	28.8	-6.2	-17.7%
Marche/Sardinia network	2.4	2.4	+0.0	+0.0%
TLR/Heat management	29.9	27.4	-2.5	-8.4%
Other	0.2	5.4	+5.2	+2407.5%
Total Gas	**67.6**	**64.1**	**-3.5**	**-5.2%**

Investments in the **Electricity Area** concerned the extended service and to extraordinary maintenance of plants and distribution networks in the territories of Modena and Imola, and the network service support. Compared to the same period in the previous year, worthy of mention is the mass replacement effort of electronic meters, in order to comply with the substitution plan resolved by the AEEG (Euro 5.2 million). Investments in plants producing electricity and heat (CCGT) related to the construction of the co-generation plant in Imola, now completing the start-up phase, whilst co-generation investments were aimed at the construction of new facilities at the local companies.

Electricity (millions of €)	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Territory	21.6	19.0	-2.6	-12.0%
CCGT Imola	24.9	13.6	-11.3	-45.4%
Ind. co-generation	2.5	5.3	+2.8	+113.9%
Total Electricity	**48.9**	**37.9**	**-11.0**	**-22.5%**

With regard to the **Integrated Water Cycle,** it saw an overall reduction of operations compared to the same period last year, due to the significant streamlining of activities and a reduced demand for new connections. The Purification system appeared to go against the overall trend, by virtue of enhancement and regulatory compliance initiatives.

Integrated Water Cycle (millions of €)	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Aqueduct system	67.9	54.2	-13.7	-20.2%
Purification system	10.9	20.1	+9.2	+84.2%
Sewage system	35.3	31.1	-4.2	-11.9%
Total Integrated water cycle	**114.1**	**105.4**	**-8.7**	**-7.6%**

With regard to **Waste Management,** it saw an overall reduction of operations, compared to the same period last year, of maintenance and upgrade of the existing facilities in the area. Investments in incinerators plants were mainly linked to the completion of the Forlì plant and the construction of the plants of Modena and Rimini.

Waste Management (millions of €)	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Existing plants	57.6	49.2	-8.4	-14.6%
New plants:				
WTE Canal Bianco (FE)	18.9	0.1	-18.8	-99.7%
WTE Modena	27.1	30.6	+3.5	+12.9%
WTE Forlì	11.1	13.0	+1.9	+17.0%
WTE Rimini	9.9	25.2	+15.3	+154.2%
Other	0.7	0.0	-0.7	-106.1%
Total Waste Management	**125.2**	**118.1**	**-7.1**	**-5.7%**

With regard to **Other Services**, it experienced an increase in telecommunications networks investments due to the consolidation of Acantho and Satcom, and an investment reduction in the Public Lighting service.

Other Services (millions of €)	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
TLC	1.0	8.1	+7.1	+694.8%
Public lighting and traffic lights	3.7	3.1	-0.6	-16.1%
Others	1.6	0.8	-0.8	-49.7%
Total Other Services	**6.3**	**12.0**	**+5.7**	**+89.8%**

There was an overall decrease, in comparison to the same period last year, in investments within the Central Structure due to the completion of the restructuring of company information systems and the rationalization of the operating fleet. Operations were up slightly due to the work carried out in the Group offices. Other investments included assistance for completing the labs and other minor investments.

Central Structure (millions of €)	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Buildings	17.1	20.9	+3.8	+22.2%
Information systems	16.6	15.5	-1.1	-6.6%
Vehicle fleet	13.9	10.0	-3.9	-28.1%
Other investments	9.9	7.6	-2.3	-23.1%
Total Central Structure	**57.5**	**54.0**	**-3.5**	**-6.1%**

1.07.02 Regulatory Framework and regulated revenues

Regulatory Framework

The implementation of the reform of art. 23 bis of Law No. 133 of 6 August 2008, as amended by subsequent regulations issued in 2009, shall have a significant impact on the market for local public services. In particular, Law no. 166 of 20 November 2009 shall, on one side, give new market entrants access to the capital of numerous "in house" companies and, on the other, limit the original protection of listed companies, to mixed public-private investments, with a license duration conditioned to the reduction of public shareholdings, which shall be below 40 percent by 30 June 2013, and below 30 percent by 31 December 2015. The enactment provisions, originally provided for by art. 23 bis, though long prepared by the Government, have not yet been issued, pending the necessary opinion of the State - Regions Conference.

Further changes to the reform to be introduced by art. 23 bis have been focused on the review of its application area, with the exception of services (gas, electricity and transport), which are once again managed by their specific regulations. In particular, the exclusion of the gas sector from the scope of Article 23 bis., without prejudice to Article 46 bis of Law no. 222 of 29 November 2007, which provides for the determination, by ministerial decree and at present provisionally defined, of the new competition areas for the allocation of the distribution service.

The preparation of the corresponding decree is still to be assessed favourably, either because it represents a turning point in a process that began long ago, or because it defines an average area size, coinciding with the provincial level and a maximum of three hundred thousand end customers, which is in line with the industrial needs and expectations of the Group.

In the area of renewable sources, Law no. 99 of 23 July 2009 introduces important changes. Worthy of mention is the shift from the supply (producers and importers) to the demand side of the obligation of injection of a given amount of renewable energy, and the upward adjustment, from a value of 1.1 to a value of 1.3, of the multiplier coefficient for energy produced from the processing of biodegradable waste, as required by the bonus system envisaged in the 2008 Finance Act, for purposes of the Green Certificates calculation.

Always pursuant to Law No. 99 of 2009, a 5 billion Smc gas release is planned to stimulate the competitive system and the market opening, where the price awarded to the transferor will be comparable with the European average prices and where the spread between that price and the amounts paid to purchasers will be given in favour of business customers who can provide proof of a given gas drawdown rate.

Finally, in the interest of consumers, the same regulation introduces a new standard for Class Action. A class action may be undertaken by individual "domestic" customers and not by businesses, professionals, or companies. It may be aimed at businesses that provide a public utility (for example providing electricity or gas to consumers) or at concessionaires of public services operating as a legal monopoly (for example, companies operating an integrated water service), and is limited to the contractual relationships with the aforesaid consumers.

Lastly, it should be noted that pursuant to Law no.2 of 28 January 2009 (law for the conversion of Italian Law Decree no.185 of 29 November 2008), entitled "Urgent measures in support of families, labour, employment and enterprises, and rearrangement of the national strategic framework as an anti-crisis measure", a series of changes were introduced to improve the operation of the national electricity market. Among the key changes, it is worthy of mention the planned modification of the price determination mechanisms of electricity, from the current Marginal Price System to the Pay as Bid System, amendment which was later suspended by executive decree of the Ministry of Economic Development (MSE), which postponed the assessment to April 2012.

With regard to regulatory enhancements, the main changes concerned the gas sector. The Italian Authority for Electricity and Natural Gas, through resolution ARG/gas 64/09, approving the Integrated Text on Natural Gas Sales (TIVG), has consolidated and streamlined the rules affecting the market for the sale of natural gas to end customers entitled to "protection service". Among the changes introduced in a context of overall continuity with the past, we may highlight: the progressive restriction of the scope of "protection services", which since 30 September 2010 will cover only domestic end customers, and the validation of calculation criteria and the existing levels for the Wholesale Component (CCI), and the tariff recognition increase for the coverage of marketing costs for Retail Sales (QVD).
These new provisions have been positively assessed by the operators, as deemed suitable to create sufficient leeway to foster competition in the natural gas retail market, which in recent years had seen a downturn.

The Authority has approved the standard tariffs for the distribution of natural gas for the 2009-2012 period through resolution ARG/gas 79/09. In order to reduce the tariff increase resulting from the application of resolution ARG/gas 159/08, to define the standard tariffs the Authority has extended the application of the coefficient of sliding scale also to the part of the tariff covering depreciation, while the resolution expressly excluded its application to capitalised costs.

Common to the electricity and gas businesses, the general unbundling regulation contained in resolution no. 11/07 has been the subject of a complex litigation matter, which involved, among other things, a recent ruling from Regional Court of Lombardy. The latter, expressing a negative opinion on the validity of the resolution ARG/comm 132/08, aiming to define guidelines for the compliance program with regard to unbundling, confirms the decisions contained in the ruling of the State Council, issued upon appeals for the overruling of resolution n.11/07.
In summary, there are three parts of the regulation impacted by litigation: the inclusion of gas measurement in unbundling, which has been found unjustified, the inclusion of certain supervisory figures in the independent Service Operator, on which a final resolution by the Authority is still expected, and finally, the degree of pervasiveness of the Guidelines on preparedness of the compliance program by the independent Service Operator, which was deemed excessive. This shall result, without prejudice to the inalienable principles of independence, impartiality and transparency in network management, in an increased flexibility and awareness, declared by the same regulator in consultation, of the "transitory" nature (pending, namely, the completion of the structural market reform, this time through competition) of some of the provisions on unbundling, such as those on information systems, of high organizational and business impact.

Other changes regard the reordering of the operations relating to the regulation of physical and economic items of the distribution service, through the adoption of the Integrated Text of the Settlement, the enactment, in the future dual fuel scenario, of a directive for the harmonization and transparency of a single billing document for both regulated businesses, and the start, also for the electricity business, of the adoption process of communication standards between vendors and distributors, preparatory to the introduction of a network code by distributors and by market operators expected.

Regulated revenues from natural gas distribution

Year 2009 is the first of the third regulatory period (2009-2012) for gas distribution and measurement tariffs. The regulatory reference for this four-year period was introduced by resolution AEEG arg/gas no. 159/08 of November 2008 and is in many respects highly innovative compared to previous methodologies (resolution no. 237/00 and 87/03 for the first period and resolution no. 170/04 for the second regulatory period).

First of all, the new standard ensures each operator the achievement of certain permitted revenues calculated by the AEEG based on the recognized costs and the delivery points served, effectively rending the company's revenue independent from the volume distributed during the period. This is possible through appropriate mechanisms for tariff equalization, allowing operators to adjust, through the adjustment fund, the difference between their permitted and invoiced revenue. The latter derives from the application of standard tariffs determined by AEEG for macro-regional areas and of equal level for all operators.

Furthermore, resolution no. 159/08 has seen the introduction of new criteria through which the calculation of permitted revenues shall cover both operating and capitalised costs. With regard to operating costs, the new tariff method identifies unit cost levels set by the size and density of the customer base served, considering decreasing costs for increasing size of corporate users and disadvantaged so than the average, large operators. The reading and management of consumption data, previously under the responsibility of vendor companies, shall also b e included in the operating costs remuneration.

With regard to capitalised costs, resolution no. 159/08 introduced a discontinuity in the determination criteria of invested capital for regulatory purposes and in its corresponding depreciation rate, thus generating significant variations with the levels previously approved. The methodology introduced is based on accurate historical calculation of the economic data held in accounting, selected according to a suitable set of rules. In parallel, the new method has established a mechanism for the gradual implementation of new criteria in an attempt to dilute, over the four-year regulatory period, the variances registered compared to the approved values for thermal year 2007/08. The gradual implementation mechanism shall come into force upon reaching a 5% variance at the national level relative to the approved values.

With specific reference to the calculation of the invested capital, the AEEG, through resolution no. ARG/gas 79/09 of 30 June 2009, launched surveys intended to establish whether the data transmitted could be reconciled with the accounting policies followed and the proper use of those policies in accordance with resolution no. 159/08. These surveys concerned the majority of operators, including Hera Spa

Upon completion of these surveys, through resolution no. ARG/gas 197/09 of 21 December 2009, the AEEG finally proceeded to approve the reference tariffs for 2009. For certain companies, including Hera Spa, this approval shall be deemed final, albeit subject to the survey completion, and therefore to the validation of the economic data submitted. For other operators, however, the AEEG determined tariffs on its own motion, resulting in a recognised cost reduction compared to the previous method. These penalties shall be deemed provisional, pending the outcome of further studies undertaken under the same resolution no. 197/09.

Therefore, the Financial Statements of Hera Spa for 2009 reflect, in relation to gas distribution and measurement revenues, a stable regulatory framework. Against this backdrop, revenues for 2009 amounted to Euro 143.8 million, with distribution volumes of 2,179 million of cubic metres, and a corresponding average revenue per unit of Euro cents 6.6 per cubic metre.

Gas distribution - transport revenues	2008	2009	% change
Hera consolidated			
- Revenue (millions of Euro)	134.30	155.60	15.90%
- Volumes (millions of cubic metre)	2370.00	2334.00	-1.50%
- Average revenue per unit (Euro cent per cubic metre)	5.70	6.70	17.60%

Gas distribution - transport revenues	2008	2009	% change
Hera Spa			
- Revenue (millions of Euro)	124.40	143.80	15.60%
- Volumes (millions of cubic metre)	2216.00	2179.00	-1.70%
- Average revenue per unit (Euro cent per cubic metre)	5.60	6.60	17.50%

The significant increase registered on 2008, amounting to Euro 19.4 million (+15.6%), may be explained as follows:

- for Euro 13.3 million, due to the introduction in 2009 of the separation of revenues from distributed volumes; conversely, in 2008, distributed volumes (equal to 2,216 million cubic meters) had generated a level of revenue below the permitted revenues threshold;

- for Euro 5.5 million, due to increased permitted revenues determined by the new tariff method, which represented a Euro 7.6 million increase in recognized capitalised costs, and a simultaneous reduction of Euro 2.1 million in operating costs;

- for the remaining Euro 0.6 million, due to fee expenditure transfers, and to increased management scope following the merger through acquisition of GasTecnica Galliera.

The consolidation perimeter for 2009 also includes MARCHE MULTISERVIZI Spa. Reported below are the consolidated revenues from gas distribution and measurement, distributed volumes and average revenue per unit for the Hera Group. With regard to the regulatory framework outlined above, it should be noted that resolution no. 197/09 has approved the reference tariffs for MARCHE MULTISERVIZI provisionally and on the AEEG's own motion.

Gas distribution - transport revenues	2008	2009	% Change
Hera Spa			
- Revenue (millions of Euro)	124.40	143.80	15.60%
- Volumes (millions of cubic metre)	2216.00	2179.00	-1.70%
- Average revenue per unit (Euro cent per cubic metre)	5.60	6.60	17.50%

It should be noted that the Net Invested Capital for regulatory purposes, at the baseline revenue indicated for the year, is of approximately Euro 800 million for the Hera Group.

Regulated revenues from electricity distribution

Year 2009 is the second year within the third period of tariff regulation for transmission, distribution, and measurement of electric power. The tariff framework is based on the definition of tariffs set out by the AEEG on a national basis, differentiated by user type, and on the existence of suitable general equalization mechanisms, established to adjust the invoicing revenue depending on the operating and capitalised costs of each operator.

All reference tariff provisions are identified by the AEEG resolution no. 348/07 of December 2007, while the specific tariff levels for 2009 were approved by resolution ARG/elt 188/08 of 19 December 2008.

Against this backdrop, revenues from tariffs for transmission, distribution, and measurement of electricity for 2009 were equal to Euro 48.3 million, with 2,117 million kWh distributed and an average revenue per unit equal to Euro 2.3 cents / kWh.

To make a consistent comparison with the revenue figures in 2008, amounting to Euro 45.3 million, we deem suitable to restate them in order to calculate the tariff equalization allocations for year 2008 using criteria similar to 2009.

Revenues for 2008 thus restated amounted to Euro 46.8 million. Compared to this figure, revenues in 2009 were up 3.2%, corresponding to Euro 1.5 million.

Electricity distribution – revenues	2008 pro forma	2009	% Change vs 2008 pro forma
Hera consolidated			
- Revenues (millions of Euro)	46,80	48,30	3,2%
- Volumes (GWh)	2263,00	2117,00	-6,4%
- Average revenue per unit (Euro cent per kWh)	2,10	2,30	10,3%

The Euro 1.5 million increase is largely explained (Euro 1.4 million) by higher revenues generated in year 2009 from past accrued retrospective invoicing periods. This item notwithstanding, a minimal variance remains, amounting to Euro +0.1 million, with a distributed volume reduction of 6.4% (2,263 billion to 2,117 billion kWh).

The stability of accrued revenue in 2009, albeit accompanied by a significant decline in volumes, was due, on one side, to the upward revision of tariff levels of 2009 introduced by Resolution No. ARG / elt 188/08, and on the other to existence of fixed rate tariff components, which mitigate the exposure of total revenue compared to the evolution of the volumes delivered.

Water cycle: tariff framework

The year 2009 was the second year of the 2008-2012 regulatory period concluded with all ATOs, except for the ATO Modena, for which the tariff agreement expired at end 2009.

The comparison with data of the 2008 financial year, adjusted to take account of revenues deriving from sub-supplies and industrial aqueduct, highlights, for 2009, and increase in revenue per unit by +3.1% compared to the previous year. This is mainly due to the application of tariff agreements resolved by ATOs that provide for a tariff convergence towards the entire coverage of costs.

Consolidated Hera Group - Water Cycle - tariff revenues	2008	2009	% Change
Tariff revenues (millions of Euro)	396.8	408.5	2.9%
Volumes (millions of cubic metre)	257.0	256.6	-0.2%
Average revenue per unit (Euro cents per cubic metre)	154.4	159.2	3.1%

Urban waste management: tariff framework

As at December 2009, 46% of municipalities served by the Urban Waste Management service have adopted the tariff system pursuant to Presidential Decree 158/99, serving a population equal to 65% of the territory served, 54% of the municipalities are still under the TARSU (Urban Solid Waste Tax) regime.

An accurate comparison of homogeneous consolidated data of Hera Group Consolidated provides some indications.

Hera Group consolidated Urban Waste Management - tariff revenues (TIA + TARSU)	2008	2009	var %
Tariff Revenues (millions of Euro)	370	386	4,2%
Population served * (000)	2.668	2.707	1,5%
Average revenue per unit (Euro per inhabitant)	138,6	142,4	2,7%

* The population served in 2008 covers the perimeter of SIS Spa, a consolidated company of the Group Marche Multiservizi for homogeneity with 2009 data

The overall increase in regulated revenues for the Urban Waste Management service to municipalities under license, equal to 4.2%, is due mostly to the average tariff increase of approximately 3.5%, which offsets the increased inflationary costs.

The remainder of the difference is due to the organic growth of the population served, for approximately 1.5%, to the net effect on earnings of the monitoring improvement initiatives on tariff subject entities, and to the decrease of areas served due to the closure of production activities seen during 2009.

1.03.03 Analysis by Business Segment

Since 2009, the Hera Group has revised its business portfolio to better focus its industrial structures: in particular, the Gas area has received the District Heating and Heat Management businesses originally under Other Services, and the Electricity Area has been assigned Industrial Micro-cogeneration, also previously under Other Services.

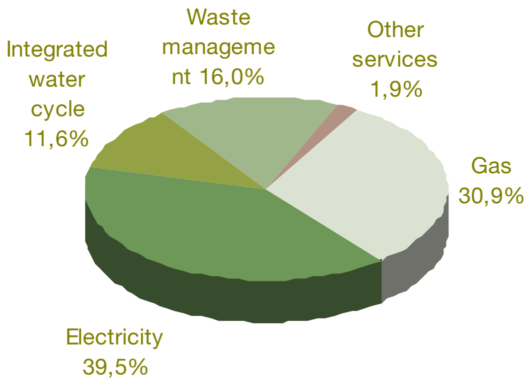
An analysis of the operating results achieved in the business segments in which the Group operates is presented below: (i) Gas sector, concerned with the distribution and sale of methane gas and LPG, District hearing and Heat Management (ii) Electricity sector, regarding the production, distribution and sale of Electricity, (iii) Integrated Water Cycle sector, including Aqueducts, Purification and Sewage, (iv) Waste Management sector, including Waste Collection, Treatment and Disposal and (v) Other Services sector, including Public Lighting, Telecommunications and other minor services.

In light of the above, in order to provide the necessary focus on the performance for year 2009, it is hereby described the analysis for the different business segments in which the Group operates, compared to the data of year 2008, reclassified according the new criteria for allocating business to segments The breakdown and development over the years in terms of Revenues and EBITDA is illustrated in the following charts:

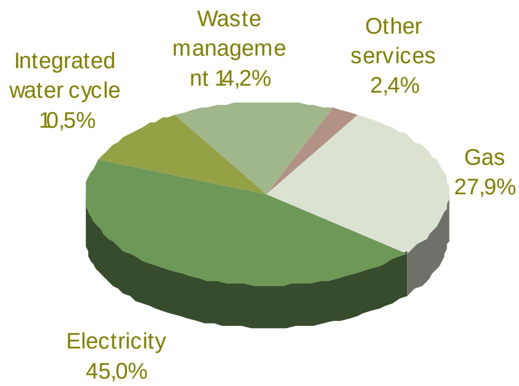
Breakdown of the business portfolio

REVENUES

31-Dec-2008

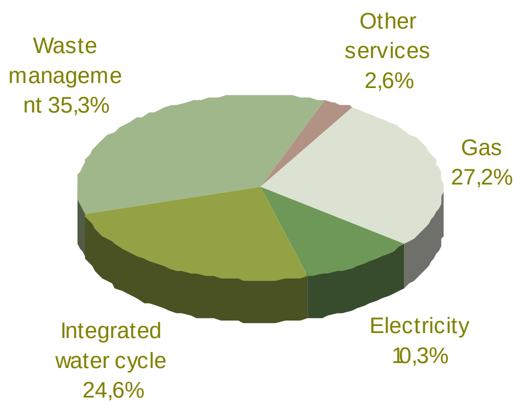


31-Dec-2009

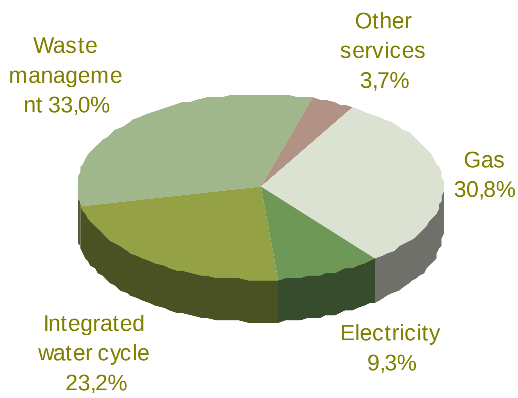


EBITDA

31-Dec-2008



31-Dec-2009



In the following chapters the operating performance of the various business segments is analysed. Income statements by business segment include structural costs, and inter-divisional transactions valued at current market prices.

It should also be noted that this analysis 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, are indicated by way of a cost adjustment as capitalised costs in the individual tables.

Analysis of the Gas Area

During year 2009, the Gas area, which includes sales and distribution of natural gas and LPG, district heating services and heat management, increased the weight of its contribution to the Group's overall margin by 3.6 percentage points, compared to the corresponding period last year, as shown below:

(millions of €)	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Area EBITDA	**143.8**	**174.4**	**+30.6**	**+21.3%**
Group EBITDA	528.3	567.3	+39.0	+7.4%
Percentage weight	27.2%	30.8%	+3.6 p.p.	

The results outlined above incorporate the effects of the transfer by asset companies of some of the Gas and District Heating networks operated by the Group, which represent and approximate contribution of Euro 16.8 million to EBITDA.

It must be emphasized that 2009 saw the implementation of resolution no. 159/08 of the Authority, passed to establish the correspondence between the thermal and the calendar years, and altering in fact the comparability to 2008.

The following table shows the main quantitative indicators of the area:

Quantitative data	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Number of customers (thousand units)	**1,065.7**	**1,070.6**	**+4.9**	**+0.5%**
Gas volumes distributed (millions of cubic metres)	2,370.3	2,334.4	-35.9	-1.5%
Gas volumes sold (millions of cubic metres)	2,493.1	2,802.7	+309.6	+12.4%
- of which Trading volumes	*294.8*	*627.9*	*+333.1*	*+113.0%*
Heat volumes delivered (Gwht)	422.6	476.4	+53.8	+12.7%

The volumes of gas distributed changed from 2,370.3 million cubic meters in 2008 to 2,334.4 in 2009, down 1.5%. The volumes of gas sold rose from 2,493.1 million cubic meters in 2008 to 2,802.7 in 2009, an increase of 12.4%. The volumes of heat delivered rose from 422.6 Gwht in 2008 to 476.4 in 2009, an increase of 12.7%.

The change in volumes was the result of two opposite effects: on the one hand, lower average temperatures in 2009 compared to 2008, on the other, lower average fuel consumption per unit caused by the ongoing economic crisis.

The effects mentioned above led to the economic results briefly summarized below:

Income statement (millions of €)	31-Dec-2008	% Inc.	31-Dec-2009	% Inc.	Abs. Change	% Change
Revenues	1,216.4		1,259.5		+43.1	+3.5%
Operating costs	(1,083.8)	-89.1%	(1,040.2)	-82.6%	-43.6	-4.0%
Personnel costs	(54.6)	-4.5%	(63.5)	-5.0%	+8.9	+16.3%
Capitalised costs	65.9	5.4%	18.7	1.5%	-47.2	-71.7%
EBITDA	**143.8**	**11.8%**	**174.4**	**13.9%**	**+30.6**	**+21.3%**

Revenues increased by 3.5%, from Euro 1,216.4 million in 2008 to Euro 1,259.5 million in 2009, over one third attributed to the capital gains derived from to the acquisition of the network, and for the remainder of the distribution revenues and greater volumes of heat supplied. It should be stressed in connection with sales that the effect on revenues of the higher volumes sold was offset by the lower prices of raw materials, which follow the oil price trend on international markets.

The lower capitalized costs can be attributed, for approximately Euro 40 million, to the different accounting treatment of business investments undertaken independently, following the merger into the parent company of the Territorial Operating Companies, and for the remaining part for minor works completed.

The higher cost of personnel is primarily related to higher marketing costs incurred and the focus of activity following the aforementioned spin-off process for the territorial operating companies.

Compared to previous year, the Group recorded an increase in EBITDA of Euro 30.6 million, from Euro 143.8 million to Euro 174,4 million, a significant increase in margin, moving from 11.8% in 2008 to 13.9% in 2009. This result shall be attributed to the performance of Trading operations, even after a negative change in fair value of derivatives, and to distribution activities and the acquisition of networks.

Analysis of the Electricity Area

The Electricity Area accounts for 45% of the total turnover of the Group with a contribution to the total margin of 9.3% as shown in the table below:

(millions of €)	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Area EBITDA	**54.4**	**53.0**	**-1.4**	**-2.6%**
Group EBITDA	528.3	567.3	+39.0	+7.4%
Percentage weight	10.3%	9.3%	-1.0 p.p.	

At the end of year 2009, the area showed a decrease of Euro 1.4 million in EBITDA, which moves from Euro 54.4 million in 2008 to Euro 53.0 million in 2009.

The economic results of the area are briefly summarized below:

Income statement (millions of €)	31-Dec-2008	% Inc.	31-Dec-2009	% Inc.	Abs. Change	% Change
Revenues	1,557.3		2,027.7		+470.4	+30.2%
Operating costs	(1,505.8)	-96.7%	(1,965.0)	-96.9%	+459.2	+30.5%
Personnel costs	(22.2)	-1.4%	(24.1)	-1.2%	+1.9	+8.6%
Capitalised costs	25.1	1.6%	14.4	0.7%	-10.7	-42.7%
EBITDA	**54.4**	**3.5%**	**53.0**	**2.6%**	**-1.4**	**-2.6%**

Revenues moved from Euro 1,557.3 million in 2008 to 2,027.7 in 2009, up by 30.2%, due to higher trading volumes and the increased cost of energy commodities.

The table below provides a detailed view on the evolution of revenues by type:

(millions of €)	31-Dec-2008	% Inc.	31-Dec-2009	% Inc.	Abs. Change	% Change
Sales revenues	595.9	38.3%	690.0	34.0%	+94.1	+15.8%
Distribution revenues (*)	46.8	3.0%	48.3	2.4%	+1.5	+3.2%
Trading / other (*)	914.6	58.7%	1,289.3	63.6%	+374.7	+41.0%
Total revenues	**1,557.3**	**100.0%**	**2,027.7**	**100.0%**	**+470.4**	**+30.2%**
(*) the 2008 figure reclassifies Euro 1.5 million through equalization from other activities to distribution						

Sales revenue increased by 15.8% due to higher volumes resulting from the increased trade activity and the rise in the average energy market price. The strong trading revenues growth in the electricity market is in line with the commercial objectives of the Group.

The quantitative data of the area, excluding the trading activity, through which approximately 15 TWh have been brokered, displays a volume pattern that reflects the above:

Quantitative data	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Number of customers (thousand units)	**286.9**	**335.3**	**+48.4**	**+16.9%**
Volumes sold (Gw/h)	5,075.2	7,047.4	+1,972.2	+38.9%
Volumes distributed (Gw/h)	2,263.4	2,117.5	-145.9	-6.4%

The drop in volumes distributed revealed the decline in consumption linked to the economic crisis. As for the volumes sold instead, the increase was caused by strong performance of commercial activities, on both the open and regulated markets.

The increase in activity and prices explains the proportional increase in operating costs, due to raw material purchases, and the marginal rate dropping from 3.5% in 2008 to 2.6% in 2009.

Personal costs increased compared to 2008 due to higher marketing costs incurred and due to the increased focus on this area following the aforementioned spin-off process of the territorial operating companies.

Overall capitalized costs decreased by Euro 10.7 million, of which Euro 6.4 million belong to the aforementioned change in accounting treatment of work done internally.

At the end of the year 2009, the EBITDA shows a reduction over the previous year, from Euro 54.4 million to Euro 53.0 million, down 2.6%: this result should be considered in view of the fact that, as at 31 December 2009 there was a negative change in the fair value of derivatives related to trading activities for Euro 4.5 million. Moreover, adverse market conditions penalized the production of new electric power plant in Imola. Year 2009 also saw the negative effect of losses tied to the massive replacement of electricity meters.

Analysis of Integrated Water Cycle

The Group currently operates in the Integrated Water Cycle management in over 180 municipalities with an overall population of more than 2.5 million inhabitants, with almost complete coverage of the territory of reference.

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

Agreements were set up with all of the aforementioned agencies to regulate the integrated water service, and in addition to extending the licence terms up to 2022 on average, hence guaranteeing the Group the return on its capital investment over the next few years.

In 2009, the Integrated Water Cycle area showed a slight increase in results compared to the same period in the previous year:

(millions of €)	31-Dec-2008	31-Dec-2009	Abs. Change.	% Change
Area EBITDA	130.2	131.4	+1.2	+0.9%
Group EBITDA	528.3	567.3	+39.0	+7.4%
Percentage weight	24.6%	23.2%	-1.4 p.p.	

This result is considered particularly positive, if we take into account which was achieved against a substantial alignment distributed volume, fewer jobs and tie and the fact that the year 2008 benefited from exceptional items for about Euro 3 million related to a contingent asset of the Group Marche Multiservizi.

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

Income statement (millions of €)	31-Dec-2008	% Inc.	31-Dec-2009	% Inc.	Abs. Change	% Change
Revenues	459.0		471.4		+12.4	+2.7%
Operating costs	(359.0)	-78.2%	(264.5)	-56.1%	-94.5	-26.3%
Personnel costs	(100.8)	-22.0%	(104.7)	-22.2%	+3.9	+3.9%
Capitalised costs	131.0	28.5%	29.3	6.2%	-101.7	-77.6%
EBITDA	**130.2**	**28.4%**	**131.4**	**27.9%**	**+1.2**	**+0.9%**

Revenues amounted to Euro 471.4 million, up 2.7% compared to 2008, as a result of the combined effect of increasing tariffs and additional minor works and connections.

The decrease in operating costs is due for approximately Euro 82 million to the different accounting treatment of capitalized costs connected to investments, and for the remainder of the minor works performed.

The following table reproduces the main quantitative indicators of the area, resulting in a slight overall increase compared to 2008:

Quantitative data	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Number of users (thousand units)	1,153.9	1,166.3	+12.4	+1.1%
Volumes sold (millions of cubic metres)				
Aqueduct system	257.0	256.6	-0.4	-0.2%
Sewage system	224.4	225.7	+1.3	+0.6%
Purification system	224.3	226.2	+1.9	+0.8%

Volumes distributed show a substantial alignment with the previous year, recovering much of the delay shown in the first half year, while the volume of sewage and purification increased as a result of changes in the scope of related industrial activities.

EBITDA at the end of 2009 increased by Euro 1.2 million, changing from Euro 130.2 million in 2008 to Euro 131.4 million this year (+0.9%). In the analysis of this result, it should be considered that 2008 saw the special effects of a contingent asset of the Marche Multiservizi Group for about Euro 3 million: net of this effect, despite the decline in works and connections, the result of the area will still shown an improvement of Euro 4.2 million, up by 3.2%.

Analysis of the Waste Management Area

The Waste Management area is one that has suffered most the effects of general economic crisis, nevertheless it showed a slight increase in margin compared to 2008, as illustrated in the table below:

(millions of €)	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Area EBITDA	**186.3**	**187.3**	**+1.0**	**+0.5%**
Group EBITDA	528.3	567.3	+39.0	+7.4%
Percentage weight	35.3%	33.0%	-2.3 p.p.	

The Hera Group is reconfirmed as the most important integrated operator in the sector at European level, due to the fact that it has 77 treatment and disposal plants for urban and special waste.

The Group operates through 7 ATO's in the provinces of Ravenna, Forlì-Cesena, Rimini, Bologna, Ferrara Modena and Pesaro-Urbino in the area of urban waste management services including, sweeping, collection and disposal of urban waste, as for the water cycle services. With all agencies, agreements compliant with current regulations are in operation.

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

Income statement (millions of €)	31-Dec-08	% Inc.	31-Dec-2009	% Inc.	Abs. Change	% Change
Revenues	632.1		642.4		+10.3	+1.6%
Operating costs	(328.0)	-51.9%	(327.3)	-50.9%	-0.7	-0.2%
Personnel costs	(142.1)	-22.5%	(142.4)	-22.2%	+0.3	+0.2%
Capitalised costs	24.2	3.8%	14.5	2.3%	-9.7	-40.0%
EBITDA	**186.3**	**29.5%**	**187.3**	**29.2%**	**+1.0**	**+0.5%**

Revenues as at the end of 2009 show an increase of 1.6%, from Euro 632.1 million in 2008 to 642.4 in the same period this year, linked to higher revenues in the Urban waste management service, derived from tariff adjustments obtained to cover the extra services required, and partially offset by lower volumes of special waste treated.

Separate waste collection, as a percentage of total volume of waste collected, reached at the end of 2009 a value of 44.8%, against 42.1% for the year 2008, up 2.7 percentage points.

The following table shows the decline in the quantity of waste disposed, which have fallen by 2.6% on the year 2008:

Quantitative data (thousand tonnes)	31-Dec-2008	% Inc.	31-Dec-2009	% Inc.	Abs. Change	% Change
Urban waste	1,762.5	34.2%	1,793.9	35.1%	+31.4	+1.8%
Market waste	1,650.7	32.0%	1,530.8	29.9%	-119.9	-7.3%
Commercialized waste	**3,413.2**	**66.2%**	**3,324.7**	**65.0%**	**-88.5**	**-2.6%**
Special waste from plant by-products	1,745.0	33.8%	1,790.2	35.0%	+45.2	+2.6%
Waste treated by type	**5,158.2**	**100.0%**	**5,114.8**	**100.0%**	**-43.4**	**-0.8%**
Landfills	1,597.8	31.0%	1,400.4	27.4%	-197.4	-12.4%
Waste to energy plants	622.4	12.1%	734.5	14.4%	+112.1	+18.0%
Selection plants	343.9	6.7%	290.6	5.7%	-53.3	-15.5%
Compost plants	352.2	6.8%	402.0	7.9%	+49.8	+14.1%
Stabilisation and chemical-phys. plants	1,057.9	20.5%	1,084.6	21.2%	+26.7	+2.5%
Other	1,184.0	23.0%	1,202.7	23.5%	+18.7	+1.6%
Waste treated by plant	**5,158.2**	**100.0%**	**5,114.8**	**100.0%**	**-43.4**	**-0.8%**

Analysis of quantitative data reveals an increase of urban waste related to the increase of population served, and a decrease in market waste due to economic hardship. It also shows a sharp reduction in use of landfills in favour of incineration plants, composting and stabilisation, also thanks to the full operation of the new plants in Ferrara and Forli, and the start-up of Modena's.

The waste type treatment classification in 2008 was changed due to the creation of the HERAmbiente company, inasmuch as the waste management flows within the company and its subsidiaries have been redesigned.

In conclusion, Waste Management results are positively influenced by the contribution of new plants and by the additional services provided; conversely, it has been negatively impacting by the effects of the economic crisis that resulted in a decrease in the volume of special waste treated and of the prices for material set for recovery through separate waste collection.

The EBITDA of the Waste Management area increased from Euro 186.3 million in 2008 to Euro 187.3 in the corresponding period of 2009, up by 0.5%.

Analysis of Other Services Area

The Other Services area, following the reorganization of the Group's activities which has seen the placement of the District Heating, Heat Management and Industrial Micro-Generation under the Gas and Electricity areas, has been focused on services of Public Lighting and Telecommunications. Result for 2009 show an increase over the previous year:

(millions of €)	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Area EBITDA	13.5	21.1	+7.6	+56.1%
Group EBITDA	528.3	567.3	+39.0	+7.4%
Percentage weight	2.6%	3.7%	+1.1 p.p.	

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

Income statement (millions of €)	31-Dec-2008	% Inc.	31-Dec-2009	% Inc.	Abs. Change	% Change
Revenues	75.7		108.3		+32.6	+43.1%
Operating costs	(53.0)	-70.1%	(73.0)	-67.3%	+20.0	+37.7%
Personnel costs	(11.5)	-15.2%	(17.4)	-16.0%	+5.9	+51.4%
Capitalised costs	2.4	3.2%	3.1	2.9%	+0.7	+29.3%
EBITDA	**13.5**	**17.9%**	**21.1**	**19.5%**	**+7.6**	**+56.1%**

It should be recalled that in 2009, following the reduction of the shares held by the industrial partner Infracom, were consolidated by the Group the Acantho Spa and Satcom Spa, which operated in the telecommunications sector, with a contribution to the result that more than offset the decrease due to some minor services abandoned in 2008. The companies concerned operate a total of about 3,200 km of optical fibre and serve more than 7,000 customers.

As for the service of public lighting, despite the reduction of three municipalities upon contract expiration, the number of points of light managed has increased by 1.4%.

The following table reproduces the main quantitative indicators of the area:

Quantitative data	31-Dec-2008	31-Dec-2009	Abs. Change	% Change
Public lighting				
Light units (thousand)	326.8	331.5	+4.7	+1.4%
Municipalities served	64	61	-3	-4.7%

1.04 Commercial policy and customer care

The commercial policy for 2009 was basically broken down into two major programmes:

- Commercial Development
- Optimisation of Customer Management

Commercial development

During 2009, growth continued, with an increase in customers in all services and resulting in a positive balance in the number of supply points (as highlighted in the table)

	31-Dec-2009	31-Dec-2008	Change	% Change
Gas	1.079.014	1.073.145	4.706	0,44%
Electricity	335.880	286.900	48.980	17,07%
Water	1.170.641	1.153.900	16.741	1,45%
TIA	950.160	941.449	8.711	0,93%

This increase in free market services was achieved by continuing the commercial development policy that breaks down into the following points:

- multi-service offer: simplifying customer management by offering a sole contact and a single bill for energy services (gas and electricity), and also for those licensed (water and municipal sanitation) in the areas managed;
- proximity to the customer: being "physically" close to customers through a network of branches and a widespread sales structure; being quickly accessible through contact centres and the web; being socially responsible and contributing to the growth of the territory and local communities through its activities;
- simplified management: independently manage one's bill through the new *HER@ ONLINE* site and the possibility of requesting the bill to be sent via email;
- economic advantage and transparency: proposing offers that are always competitive and clear, suited to the needs of all customers (over thirty offers are available, many of which can be further customised).
- Consistent with enhancing the multi-service offer, at the end of 2009, approximately 260,000 bills were combined for customers who, to that point, had been receiving two separate bills for Hera services. This allowed the benefit of a single bill to be extended to even more customers.

The commercial strategy is broken down differently depending on the various types of customers:

- families,
- small and medium-sized companies,
- large companies
- blocks of flats,
- public administrations.

In 2009 for the Families segment, the "Tre per Te" offer was finalised, a duel fuel sales offer at a declining fixed price for three years that also has a dual time band option.

In relation to electricity sales to companies, Hera Comm proposed offers of both electricity as a single supply as well as paired with gas (dual fuel offer), and offering, in addition, the Energia Verde option in 2009, or the possibility of purchasing energy produced from renewable sources.

Optimisation of customer management

Since its establishment, the Hera Group has chosen to maximise integration between services and group systems by setting up a single platform that is composed of two main structures:

- Group Invoicing and Collection System
- Management channels

Group invoicing and collection system

Through its shared systems, Hera issued more than 16.5 million bills in 2009, following the multiservice strategy which allows our customers to simplify the administrative part and reduce payment costs. Requests have continuously increased for electronic sending of bills, implemented in the second half of 2008 and reaching 20,000 at the end of 2009.

In addition to the existing payment methods at Sisal and Lottomatica outlets and online payment by credit card, in 2009 we added the possibility of paying bills at checkout counters at Coop Adriatica and Coop Estense supermarkets and hypermarkets. The strong growth trend in all payment methods continued for customers not using direct debit, reaching approximately 20,000 payments per month at Sisal and Lottomatica outlets, approximately 2,200 payments per month online with credit cards and nearly 2,500 payments per month at Coop checkout counters.

There was an increase in usage of the new method for customers to communicate self-readings of meters through SMS, available since 2007, in addition to existing telephone and internet communication.

Management channels

In 2009 the Hera Group continued its policy of strengthening customer contact channels, with the goal of making it increasingly simple and fast to contact Hera. The Group has 5 separate contact channels:

1. family call centres
2. company call centres
3. branches
4. web
5. mail

Several parameters of services rendered that highlight the accessibility of these channels are shown below.

	2005	2006	2007	2008	2009
Average contact centre waiting time (secs)					
residential customers	70,2	34,5	46,2	66,1	33,2
business customers		43,9	26,8	42,4	25,2
Number of calls to the contact centre (no.)					
residential customers	1.394.458	1.991.264	2.375.823	2.489.180	2.428.392
business customers		59.686	105.447	115.997	152.046
Percentage of successful calls to the contact centre (%)					
residential customers	87,10%	94,10%	94,20%	93,20%	94,20%
business customers		89,00%	97,60%	95,50%	92,60%
Average waiting time at branches (mins)					
Average	26,89	23,85	21,88	18,5	14,6

With the extension of operating standards for queue management to some secondary branches and the implementation at primary branches of "differentiated queues" (residential and business), the F.A.S.T project (Automated Time-Saving Queues), which began in 2008, was completed in 2009. With this implementation, waiting times improved compared to the prior year (approximately 15 minutes compared to 18.5 in 2008) despite an increase in number of customers, and, at the same time, attained a notable reduction in the waiting time for customers with VAT numbers, consistent with the results of customer satisfaction surveys.

There is a strong presence of Hera branches in the area served: 86, of which 8 principal branches located in the major cities served, 38 medium-sized "priority" branches, normally located in non-major cities, 47 "contact points", or small to medium-sized branches, usually in decentralised areas. In these branches an important advertising campaign was launched in 2009 to communicate Hera's desire "to be present" in the area.

Two principal branches in Imola and Ravenna were renovated in 2009, consistent with the layout renovation project of all major Group branches which began in 2007 with Bologna, followed by Forlì and Cesena in 2008, and which will continue with Modena and Ferrara in 2010. At the same time, the process of renovating the secondary and smaller branches continued, consistent with the visual identity of the main project, through which the Group intends to unify its branches with a recognisable image, regardless of the branch size.

During 2009, there was significant improvement in all measures of the call centres' accessibility and service quality, given an equivalent number of contacts received.

The average waiting time was halved compared to 2008, and reached its lowest level since 2005, as well as being lower than the targets established by the AEEG (Italian Authority for Electricity and Natural Gas).

In addition to telephone communication, web services have been enhanced (Hera on line) which allow customers to check their accounts and perform transactions such as meter self-readings, online payments and receiving bills electronically.

1.04.01 Customer satisfaction

A glance back over the strategies employed in the last 3 years

Since the Group's establishment in 2002, Hera has benefitted from a solid customer base that demanded good quality primary services and whose loyalty had built up over many years of services provided by former municipal enterprises who merged to form Hera.

The Group has always focused on the quality of the multiutility services and its post-sales support, and aims to maintain its customer satisfaction levels and hold its position on the deregulated markets.

The Group has made significant investments in the **quality of its services** in terms of reduction of service failure times, providing more rapid and efficient emergency services, improving measurement and meter reading systems, and making more analyses of water resource quality and the environmental impacts of its activities.

The quality of **customer assistance** has always been of strategic importance which has led to the significant improvement of service quality over the past few years, as can be seen in the financial statements of the last 3 years, in terms of counter and telephone waiting times, the amount of customer requests and how long they take to be resolved and the internet site operation for example.

The results of these activities are shown every year in the retail and business **customer market research** reports that show a constant increase in customer satisfaction for the service and after sales support over the past 3 years, to the point where it has reached a high rating (average vote about 7/10), with a reduction in "low" satisfaction ratings, and a higher concentration of customers with positive ratings, increasing every year.

Customer satisfaction trends improved once the unsettled transition period finished which had been related to the installation of new invoicing systems. The new utility billing system, along with the continued improvement in after sales support performance led to a rapid recovery of customer satisfaction levels, leading to an improved image of Hera, frequently seen as a reliable, transparent, customer orientated, innovative and sustainable company.

Customer research also indicated that customer satisfaction levels were related to a greater acceptance of Hera's "cross selling" in addition to word of mouth communication with other potential customers. These customer profiles partly explain the growth in sales over the last 3 years, and confirm the strategic validity of the investment made in this intangible asset, considered to be one of the main competitive advantages and the pillar stone of Hera's success.

1.05 Trading and procurement policy

Macroeconomic scenario

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The macroeconomic scenario shows a general shrinkage in all fossil resources: oil demand dropped by 6.4%, and gas demand showed an even heavier 7.9% reduction. Solid fuels recorded a 18% drop, equal to 13.7 Mtep, a step backwards to the first years 2000 and much far away from the peak of 2006-2007. It should be noted that the mix of primary resources not only highlights a strong growth in renewable resources, but also records, for the first time ever, an increase in oil weight with respect to gas and solid fuels: paradoxically, a return to past, in the diversification process as well.

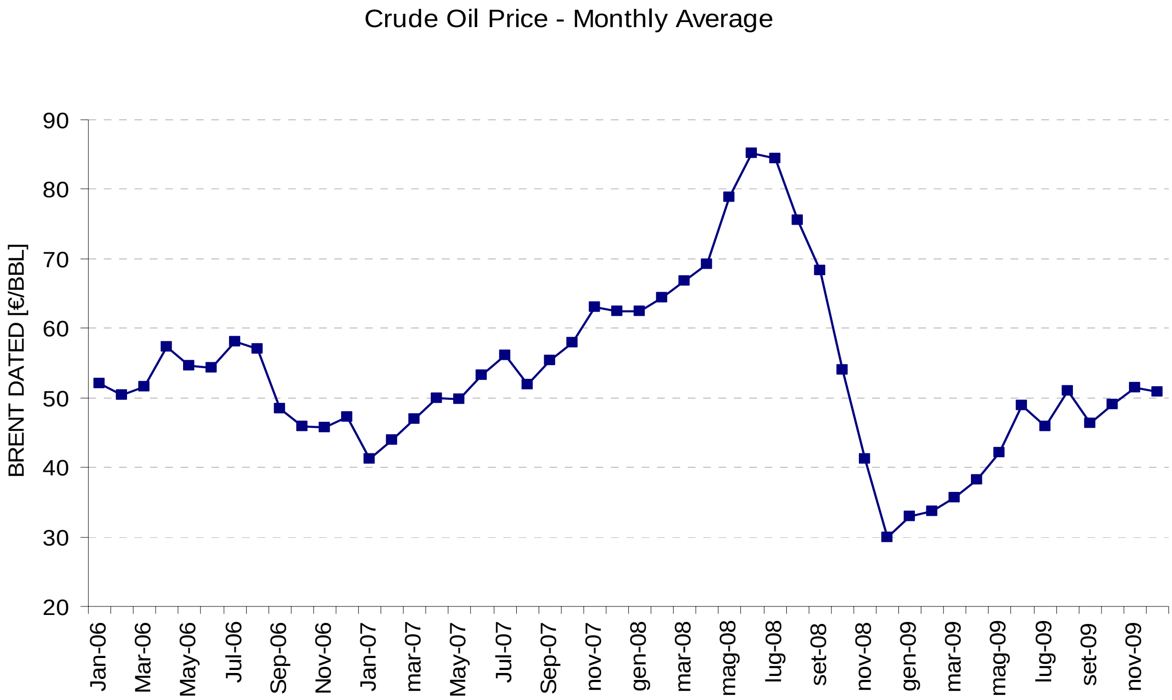
As regards renewable sources, their contribution was equal to 18.66 Mtep, up by slightly less than 10% compared to 16.99% in 2008. Hydroelectricity, mainly by reason of favourable elements for hydro sources, as well as wind, played a special role. There are however hints of a strong development for photovoltaic sources and the use of biomass, which are still to be monitored.

As for currency, the first half of 2009 was characterised by a remarkable nominal devaluation of the dollar with respect to the euro, while a significant revaluation of the green note, mainly due to concerns connected with country risks (Portugal, Ireland, Greece and Spain), occurred at year-end.
The first half of 2010 might be affected as well by a revaluation trend of the dollar, as a result of the greater difficulties amongst governments which might arise in eurozone.
In 2009, the average exchange rate was 1.39 dollar/euro, remarkably down compared to 2008 (-5%), but still to maximum level with respect to 2005.

Reference scenario

	Year 2009	Year 2008	% Change
Brent Dated Price, $/bbl	61,51	96.99	*-36,60%*
Exchange, $/Euro	1,39	1,47	*-5,40%*
Brent Dated Price, Euro/bbl	44,25	65,03	*-32,00%*

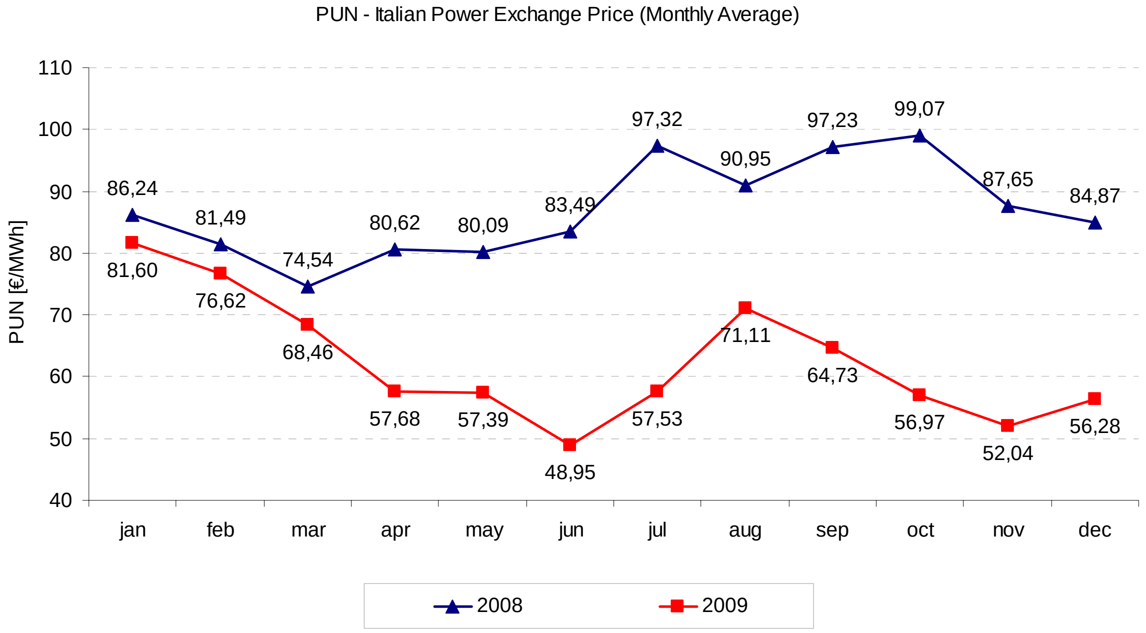
As regards the energy commodity, the price of Brent crude oil (ARA Spot Average), which has a significant impact on the unit cost of liquid and gas fuel on domestic market, recorded average values lower than those recorded in 2008, from 96.99 dollars per barrel, to 61.51 dollars per barrel, with a peak of 76.66 dollars per barrel in November 2009.



As regards electricity, in 2009 the average exchange sales price (PUN) was equal to Euro 63.72 per MWh, down by 26.8% compared to Euro 86.99 per MWh in 2008. The drop in PUN was Euro 31.33 per MWh in peak hours, equal to Euro 83.05 per MWh and lower than Euro 20 per MWh in off-peak hours. Price trend was characterized by a negative differential between 2008 and 2009, a gap that rapidly widened since March. This trend is due to both the rapid increase in fuel price, which characterized the entire 2009, and the strong reduction in demand for electricity as a result of recession.

It is interesting to note that sales price shrinkage in electricity was however higher than the reduction in fuel costs; this is a sign of a higher competition and a lower market concentration.

In 2009, in fact, new production plants, for around 6,000 MW, were completed, compared to a continuously decreasing usage rate of the installed park due to the drop in demand.
The slight spark spread recorded, is actually starting to adversely affect the situation of plants, even modern plants.



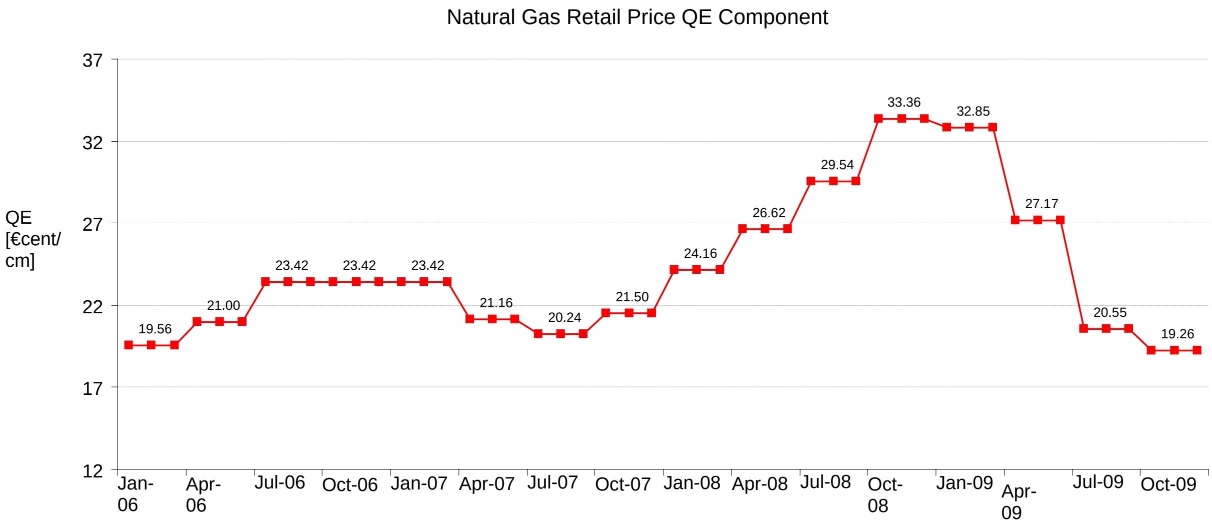
With regard to gas, the Italian market, which in 2009 envisaged a supply excess due to the coming into operation of new infrastructures during the year (Gas Naturale Liquefatto of Rovigo, 2° step of Trans Austria Gasleitung and of Trans Tunisian Pipeline Company) had to tackle a severe reduction in consumption, which fell to 78 billion cubic metres by effect of the strong shrinkage recorded in the industrial and thermo-electric sectors.

The major European and Italian operators, which signed long-term agreements with producers, were partly subjected to Take or Pay penalties and are now re-negotiating their contract terms as regards both flexibility and price.

The widespread gas surpluses throughout Europe have obviously triggered a fall in prices and the increase in volumes trades on Spot markets.

Within this context, the average value of the energy rate (QE) in 2009 (calculated referring to the Italian Authority for Electricity and Natural Gas, AEEG, resolutions no. 134/06 and 192/08), was Euro 24.97 cents per cubic meter, compared to an average value of Euro 28.42 cents per cubic meter in 2008 and an expected value of Euro 23.46 cents per meter for 2010. As can be inferred from these data, the oil price fall recorded during the second half of 2008, mainly affected gas prices during 2009. This is naturally due to the effect of the delays associated with the formulas for updating gas prices.

The opening of the Gas Stock Exchange is expected for 2010, although various aspects related to the scarce efficiency of the measuring/calculation of consumption and the reduced storage availability are still unsolved. The chance for Italy to become a hub for gas, as expected by many people, is likely to be jeopardised and/or delayed.



Gas area

Gas – Regulatory framework

AEEG Resolution no. 192/08

On 19 December 2008, AEEG issued a resolution regarding "Urgent measures to amend the criteria for the update of terms and conditions for the supply of natural gas to protected category customers and update for the quarter January-March 2009". In order to ensure prompt implementation of article 3, subsection 8, of Decree Law no. 185/08 (the so-called Anti-crisis Decree Law), the resolution renewed the no-change threshold starting from the update for the January-March quarter of 2009. This action entailed an immediate economic impact on wholesalers in terms of lower margins on volumes sold in the first quarter of 2009 which then resulted mostly not recoverable (for Hera Trading, around Euro 600 thousand).

AEEG Resolution no. 64/09

On 28 May 2009, AEEG approved the "Code for the retail sale", which simplifies and streamlines provisions regarding retail sales of natural gas and introduces important news. In particular, one single value, at national level, for the price of retail sale is defined, thus guaranteeing sellers a more consistent coverage of trade costs (e.g. call centre, staff, invoicing) and equal treatment to all customers, even the small ones.

In view of enhancing a higher transparency of the market, the Code also sets out that in their website sellers must publish the economic terms of the protection service for each single location in which they operate, highlighting the various components.

The Authority also reviewed the mechanisms for the protection service of customers and related supply terms, while redesigning the framework of end users who might take advantage of this service.

As regards the economic supply conditions, which will be in force together with the tariffs for distribution and metering services, this Code introduces simplified elements which take account of continuity.

As regards the various components that play a part in defining the end price of a supply, the Code substantially confirms the calculation criteria for whole sale marketing costs, although it simplifies the quarterly updating formula (since 1 October 2009).
This resolution had no substantial impact of Hera Trading transactions.

Law no. 99/09

Art. 30 of this Law confers the Electricity Market Operator the task of organizing a market for gas exchange within six months from the execution of this Law: the procedure to create a new market should be similar to the electrical market one, through the setting out of rules issued by the Electricity Market Operator, after hearing the competent Authority. These rules shall be approved through a decree, by the Ministry for Economic Development.

AEEG Resolution no. 114/09 (Gas release)

On 7 August 2009, with this resolution AEEG set out the implementation modalities of gas release with which, within the following 3 September, ENI shall conclude auctions to sell a gas volume of 5 billion of cubic meters on the market, for the 2009-2010 thermal year, through non-discriminatory competitive procedures, based on provisions set out by the Ministry for Economic Development to implement the "Anti-crisis Decree Law".

According to law provisions, the Authority set forth that procedures shall guarantee the utmost impartiality and that the offer is divided in lots, "characterised by constant daily quantities over the entire delivery period".

The following will be provided: annual lots (delivery from October 2009 to September 2010) and half-year lots (delivery from October 2009 to March 2010).

The assignment procedures of the lots include the definition of one single price for each type of product.

Like other primary operators, Hera Trading did not take part to the procedure as it has already completed its sources/usage portfolio.

AEEG Resolution no. 165/09

In compliance with provisions set out by Art. 3 of Law 102/09, by this resolution the Authority introduced a new weekly market session in order to favour the *ex post* balancing of users who will be then able to adjust their positions with respect to the previous week.

AEEG Resolution no. 173/09

On 28 December 2009, by this resolution AEEG started an investigation into the procedures and conditions for the procurement of natural gas for supplies to protected categories and to promptly assess possible structural changes which may occur to those conditions.

The objective is substantially to assess to what extent Spot supplies, available on the market in the current "long-term" situation, affect long-term agreements taken as a reference for the procurement terms in question.

In view of the limited impact of these agreements and their high price volatility, it is reasonable to state that, in the short period at least, no substantial changes should occur in the updating modalities of the above terms and conditions.

AEEG Resolution no. 198/09 (Transport tariffs)

On 21 December 2009, by this resolution AEEG approved the tariff proposals concerning natural gas transport and dispatching payments, the transitory payment of the gas transmission metering service for 2010 and corrections of material errors in Part II of the Code for the natural gas transmission and dispatching service for the regulatory period 2010-2013.

This resolution had no substantial impact of Hera Trading transactions.

Gas- Significant events

2009-2008 Thermal year storage capacity

During March, the contracts with Stogit and Edison Stoccaggi for the modulation storage service, for the 2009-2010 thermal years, were renewed.

Finalisation of new procurement contracts

During May, modulated gas procurement contracts to REMI were concluded, for around 1,800 million of cubic meters related to the 2009-2010 thermal year, with ENI Gas & Power (1,030 million of cubic meters), EDISON Spa (730 million of cubic meters), R.E.I. Spa (15 million of cubic meters) and Flame Energy (25 million of cubic meters).

Further procurement contracts for non-modulated gas were concluded in the same period, with supplies abroad, at national borders, and at the virtual point of exchange, for around 540 million of cubic meters/year (200 million of cubic meters by EDISON Spa, 210 million of cubic meters by VNG, 130 million of cubic meters by ENI Gas &Power).

Subsequently, at the end of August and connected with the unexpected Spot price shrinkage on the European market, mainly due to the impact of the economic crisis, the economic terms of agreements signed with ENI Gas & Power and EDISON were reviewed and reduced in volumes.

Summer streamlining of agreements

During summer, streamlining of agreements gave remarkable economic advantages thanks to flexibility and Spot prices, which were exceptionally low on the European market.

Participation in the Austrian gas stock exchange

Since December, the Austrian Stock Exchange is operative in Baumgarten. Hera Trading has been an active member since the beginning, also aiming at taking advantage from the remarkable availability of transport capacity on the Trans Austria Gasleitung (TAG).

Management during 2009-2010 winter

As regards 2009-2010 winter, in spite of the weather trend, which was more severe compared to the last few years, the management is going on without any particular problems. The portfolio position is maintained continuously balanced through transactions, even daily transactions, on the market to carry out the necessary adjustments.

Electricity area

EE – Regulatory framework

Nuclear energy development

With the Development Law passed at the beginning of last July, the Government received the proxy to adopt, within six months from the entrance in force of the afore mentioned law, some decrees aimed at starting a development program of nuclear energy in Italy. These decrees shall include regulations on the location of the new plants and storage systems of radioactive wastes, compensation measures to the paid to residents of the areas in which the plants are to be installed and the rules regarding the authorization procedures and requisites for the construction, the operation and dismantling of nuclear power plants. In view of promoting the development of nuclear power, the Legislator set out that this type of energy shall have the same dispatching priority provided for renewable energies and co-generation.

Virtual power plant in Sardinia

The Development Law, aiming at increasing competition in the "Sardinia" market area, provided for a procedure of virtual sale of production capacity.
In order to execute law provisions, the Ministry for Economic Development set out a five-year term and the extension of the program (25% of local needs).
Following these trends, last August the AEEG issued the Resolution Arg/elt 115/09, which defines the selling subjects, as well as the instruments to be adopted in the procedure, criteria for the definition of auctions to sell the capacity and terms to take part in the auction.

Development of network infrastructures

The main legislative interventions regarded the electric sector during 2009 and had a remarkable impact on the regulation of infrastructures.
In particular, the Development Law introduced some rules aiming at simplifying the authorization procedures while providing for, amongst other, one single authorization to build electroducts.
As regards the expansion of connections abroad, Terna was conferred the task to program and build new infrastructures (interconnectors) in order to achieve an increase of 2000 MW in interconnection capacity. These actions shall be carried out also through the financing by private subjects (end users with high energy needs), selected before the examination procedures that will be implemented by the Grid Operator.
Conversely, as for the internal network development and in order to overcome the stalemate in a number of planned investments, the Anti-crisis Law allocated, for single and particularly urgent interventions, extraordinary assets and powers to complete the authorization phase (commissarial administrations). It should be noted that commissaries will act only in cases in which the competent Administrations have not fulfilled the legal terms for the issue of authorizations and the effective implementation of interventions.

Emission trading system: assignment resolution of 2008-2012 quotas

On 29 February 2008, the Ministry for Environment, Land and Sea and the Ministry for the Economic Development approved the assignment resolution of CO2 emission quotas for the 2008-2012 period. The Resolution was notified to the European Commission for a consistency control with the Resolution of the Commission of 15 May 2007. Both the Resolution approving the assignment proposal of CO2 quotas and the Resolution of 27 November 2008 of the Committee for the implementation and management of Resolution 2003/87/EC (implementing the Resolution of assignment proposal) were published in the Ordinary Supplement no. 275 to the Official Journal no. 291, dated 13 December 2008.
The following amounts of quotas were assigned to the plants held by Hera:

Assignments of the allocation national plan (Pna) (t CO2)

	2008	2009	2010	2011	2012
Teverola	720.466	684.443	655.624	619.601	590.782
Sparanise	1.414.902	1.344.157	1.287.561	1.216.815	1.160.219

As regards the plant COGEN Imola, the assignment regarding the operating period will be carried out through the assignment of quotas taken from the "Reserve for new entries".

The reform of the electricity market (the so-called "Anticrisis decree law")

At end November 2008, the Italian Government issued the Decree Law no. 185 of 29 November 2008 (indicating "*Urgent measures in support of families, labour, employment and enterprises, and rearrangement of the national strategic framework as an anti-crisis measure*"). This decree provides for, but not limited to, a series of innovations affecting the ongoing of the electricity market.
The main elements of the reform are the following:
- Creation of an Inter-Day Market of energy, with continuous trading, integrated with the Dispatching Service Market (MSD) and replacement of the current adjustment market.
- Reform of the MSD operational processes, based on transparency and economic efficiency criteria in selecting resources and to be implemented based on criteria of economic merit order. Moreover, the reduction in costs borne by the Market Operator would be also through negotiation of future services rendered. Finally, it was set out that, in special situations of grid congestions or danger for the safety of the system, possible interventions of the Authority is provided for. The latter will have the faculty of pinpointing some plants for the supply of key dispatching services.
- Re-examination of the mechanism of price formulation of energy on the Day-Ahead Market (MGP) to be defined based on the criteria of economic merit order (this review is to be made before amendments regarding the Intra-Day Market and its integration with MSD.
- Publication by the GME of offers submitted on the MGP within 7 days and data on not availability of grids and plants on a monthly basis, except for cases regulated by the Authorities.
- Promotion of the widening of physical and financial forward markets for energy, through the development of new products, even long-term products.
- Provision that, within 24 months, the MSE, upon proposal of Terna, may divide the National Transmission Network in not more than three macro-zones.
- Provision that the MSE, after hearing the Authority, may intervene with temporary measures to promote competition in the areas where abnormal market behaviour may occur.

Pursuant to Law 2/2009, on 29 April 2009, the Ministry for Economic Development issued an implementation decree which indicates the guidelines for the reform of the electricity market legislation, while setting out the implementation terms of interventions of the competent bodies. The ministerial decree set out, but not limited to:

- the replacement of the adjustment market with an intra-day market, articulated in two or more sessions, starting from November 2009, as well as its integration with the dispatching service market, starting from 2011;
- a new organization of the dispatching service market based on the type of services offered, starting from January 2010;
- the evolution of forward electricity markets (MTE), with a wider range of listed products, starting from January 2010.

The same provision postpones the evaluation of the possible change of training rules on MGP to April 2012, after completion of the reform process and subsequent analysis on its efficacy.

Today, the reform of the market saw the introduction of the intra-day market (the first session was held on 31 October 2009, with flow day on 1 November 2009) in place of the adjustment market. This market, which allows operators to make amendments to programs defined in MGP through further purchase or sale offers, is carried out in two separate sessions.

Simultaneously, as regards the reform of MSD, Terna approved some amendments to the Grid Code in force since 1 January 2010. Amongst the main novelties that have an impact on the rules for dispatching, the following is to be highlighted:

- Possible submission of a special offer for switching off.
- Possible submission of a different price for the ancillary reserve with respect to price for other services.
- Possible submission of different offers for each hour of the day.
- Change in restraints for the permanence of service provision.
- Possible modification, in subsequent sessions, of offers already submitted (only for lower prices).

New regulatory framework in the green certificate market

As regards green certificates, the Development Law, approved in July 2009, sets out in art. 27, subsection 17, an important novelty: the mandatory input of energy produced by renewable sources and the alternative submission of green certificates for its own mandatory quota, is transferred from non-renewable energy producers/importers to the subjects which sign with Terna electricity dispatching contracts on intake points. Therefore, the electricity quota produced by renewable sources to be mandatorily input in the grid shall no longer be calculated based on the output of the previous year, but based on the energy taken from the grid.

In relation to the coming into force of this "reform" of green certificates, the Decree Law on community obligations was issued and finally approved in November 2009. This Decree Law set out the postponement from 2011 to 2012.

Electricity - Significant events

Consolidation of the electricity trading activity

In spite of the fact that, over 2009, a strong turn-over of dedicated resources was recorded, the trading of electricity and green certificates was consolidated and structured, and this also by reason of the internally-developed support tools, as well as of the implementation of risk exposure control measures and the correct disclosure in the financial statements of assets based on IAS criteria (Fair Value and Mark to Market (M2M)).

Consolidation of the asset management structure

Together with the full operation of plant in Teverola and Sparanise and the start-up of the COGEM Imola plant, the business unit of ASSET MANAGEMENT further consolidated its presence in the Electricity Area. This business unit is aimed at managing the logistics and dispatching of energy produced from plants as well as streamlining the related Power Purchase Agreements (PPA) and Tolling.

Start-up of cogen imola plant

Starting in October, after completing the fist phase of final tests, the COGEN IMOLA plant started its production and was therefore being managed, as regards trading issues, by Hera Trading, according to an electricity supply contract. The Tolling contract, signed with Hera Spa, entered in force on 1 January 2010.

Setting-up of the Hera comm's sources portfolio

During September and October, the Sources Portfolio was set up for Hera Comm's trading activity, by using the electricity produced from the plants in Teverola, Sparanise and part of the electricity produced by Tirreno Power, all purchased on the over the counter (OTC) platform during the year. A bilateral contract signed with ENI Gas & Power was also used. The 2010 long-term contract with ALPIQ was also renegotiated at the end of the year.

Acquisition of import and export capacity

In December, Hera Trading took part in auctions organized by Terna and aimed at assigning import and export capacities through the borders with France, Switzerland, Austria, Slovenia and Greece, resulting in an assignment for import of 10 MW per year and 5 MW for March from France, and an assignment for export of 5 MW towards Austria, 10 MW towards Switzerland and 12 MW towards France.

Development of the tamarete project

The contract terms regulating the techno-commercial operation of the thermoelectric plant in TAMARETE were negotiated with the partners. This plant in Ortona is almost completed.

Control policy and credit management

In 2009, the Control Policy and Credit Management in the Hera Trading area were defined. The progressive importance that the counterpart risk is gaining, also by reason of the severe economic crisis which started from the second half of 2008, rendered the adoption of a suited Policy impossible to be postponed.

Risk management

During 2009, operating management of commodity and/or currency risk, was implemented in a "hedging" capacity, aimed at establishing the margins provided by the budget of the commercial transactions effected in both the Gas and Electricity Areas by Hera Trading and Hera Comm.

From the organisational viewpoint, the activity is centralised in one sole function (Risk Management), allocated in the Gas Area of Hera Trading.

This approach, based on the creation of a concentrated risk portfolio without generating a duplication of competences, enables the unitary management of homogeneous risks of the two companies and, based on macrohedging instead of using specific hedging formulas, has made it possible to attain certain advantages, such as:

- Achievement of greater levels of hedging;
- Elimination of constraints on the minimum volumes which can be hedged;
- Optimisation of costs for lesser recourse to the market, by netting the positions of single contracts and the positions generated by the Gas and Electricity Areas;
- Increased flexibility in evaluating procurement contracts with non-standard index-linked formulas;
- Increased flexibility in structuring the products and services, with the possibility of proposing/quoting index-linked formulas different to those present in the acquisition portfolios;
- Increased visibility of the over-the-counter (OTC) commodities prices.

The activity carried out in the Concentrated Risk Portfolio, based on derivative financial instruments – even if done only with hedging aims – does not meet the requirements of IAS 39 for applying hedge accounting. Consequently, the result attained and the perspective value of the derivatives in the portfolio are put back into the operating result of the Gas Area.

As regards the counterpart risk, in 2009, also in relation to the progressive importance of this risk connected with the economic crisis, in collaboration with the Risk Control Management of Hera Spa, a Control Policy and Risk Management was defined. This Policy was approved by the Energetic Risk Committee on 1 December 2009, with immediate execution.

Relations with other investee companies

Galsi Spa

Hera Trading continues to hold shares in Galsi Spa, the company is still working on preparing the executive gas pipeline project and its compression and measurement stations, as well as on acquiring the necessary permits.

During 2009, the executive project of the works was almost completed and authorisation procedures and exemption request from Third Party Access (TPA) was submitted. In spite of the fact that destination of a compression plant in the municipality of OLBIA is still unsettled, it is deemed that the Comprehensive Authorisation could be obtained within September 2010.

In April, Shareholders, after assessing the impossible completion of the Target Activities within 30 June 2009, approved in the General Meeting, the proposal to postpone the term for the approval of the Final Investment Decision to 30 June 2010.

The contract with the Financial Advisor (Citigroup and Intesa San Paolo) was signed at the beginning of February 2009.

Agreements regarding transportation carried out by the Company for Shippers, as well as the structure of the financial model by the Financial Advisor are being defined.

To day, the decision of FID is still officially fixed within June 2009, and the first gas during 2012.

The project was included by the European Union amongst the strategic projects and was awarded a contribution of Euro 120,000,000 within the European Recovery Plan.

The last portion of Euro 10,000,000 was paid by Shareholders for the capital increase, amounting to Euro 20,000,000, as per resolution passed in 2008.

Always during 2009, a further capital increase was decided for a total amount of Euro 24,000,000, with payment of the first portion of Euro 10,000,000 in January 2010.

After the exit from the Company of Wintershall and Progemisa occurred in 2008, the shareholding remained unchanged:

- Sonatrach 41.6%
- Edison Gas 20.8%
- Enel Power 15.6%
- Hera Trading 10.4%
- SFIRS 11.6%

Flame Energy Gmbh

The joint shareholding of Hera Trading and VNG-Erdgascommersz GmbH in the trading company Flame Energy, headquartered in Vienna, continues.

The company has up to now decided it would not employ its own staff and avails itself of services rendered by its shareholders for its operations. It has been active in the wholesale trade of gas since September 2006, and became operational on the Italian market as well, starting in October 2007, only at the virtual point of exchange and, since October 2008, it is fully operating for modulated supplies at REMI. During 2009, operations further increased, also through the direct participation to the commercial activity at the Baumgarten Hub.

Dyna Green Srl

Hera tradiong continues to hold shares in Dyna Green, a company whose purpose is research and development of opportunities to purchase and import gas from Libya on behalf of its shareholders. The company's term is until 31 December 2010, its share capital is euro 30,000, and its registered office is in Milan, Italy.
In may, Shareholders made a payment of euro 225,000 to finance a future share capital increase (Euro 75.00 for Hera Trading).

The shareholding structure is:

- Acea 33.33%
- Dyna Network 33.33%
- Hera trading 33.33%.

1.06 Financial policy and rating

Despite the fact that the repercussions of the economic and financial crisis were still being felt throughout 2009, the Group managed to avoid the effects of the general reduction in cash flow, and to keep the considerable general increase in interest rate spreads under control.

The financial policy objectives that the Company pursues are still as follows:

1. **Interest-Rate Risk**: definition and application of a strategy for hedging the interest rate risk which is accurate and consistent with almost complete coverage of the long-term debt at a fixed rate and in full compliance with IAS/IFRS3 standards.
2. **Debt Quality**: consolidation of the short-term debt in favour of the long-term portion.
3. **Credit Facilities**: attainment of abundant uncommitted and committed credit facilities so as to ensure sufficient liquidity to cover each financial commitment over the next two years at least.
4. **Financial Charges**: control of the cost of money.

In this light, the following was carried out in 2009:

1. **Interest-Rate Risk**: All interest rate risk hedging transactions in place are perfectly consistent with the underlying debt and in compliance with IAS standards. The new long term transactions were issued at fixed rates so the portion of long-term debt at fixed rates is 91% of the total.

2. **Debt Quality**: The following re-financing transactions were put in place in 2009 resulting in 96% of the portion of long term debt to the total to be reached.
   - At the end of July, a bond was issued with a 15-year maturity, for a total of 20 billion Japanese Yen, at the same time hedged for about Euro 150 million to eliminate exchange rate risk. The bond was fully subscribed to by a single investor, to be repaid with a six-month, 2.925% coupon.
   - At the end of November 2009, a ten-year bond was successfully launched for Euro 500 million, with demand six times higher than the amount offered, allowing the originally expected margin of 120-125 bps to be reduced to 115 basis points on the ten-year midswap. The bond was placed with a coupon of 4.5% at the price of 99.28.

   These transactions do not provide for financial covenants either, apart from the corporate rating limit by one rating agency only that is lower than "Investment Grade" level (BBB-).

3. **Credit Facilities.** The credit facilities and related financial assets are not concentrated with any one specific financial backer, but are distributed equally among leading Italian and International Banks with a use much lower than the total available.

4. **Financial Charges**: in spite of the considerable increase of the spreads and considering the debt consolidation in favour of the long-term portion, Hera has been able to keep the cost of money to an overall average level of 4.2%, well under the market quota.

Hera Spa has an outstanding bond of Euro 500 million with a fixed-rate coupon of 4.125% maturing in February 2016, in addition to five puttable bond issues for a total of Euro 600 million. The potential implicit refinancing risk if the put option is not exercised by the lenders is not considered to be risky since (i) the loans in question may be considered similar to 3- or 5-year loans with bullet repayment, (ii) their expiration dates are not concurrent, but vary over time, (iii) the Business Plan approved by the Board of Directors of Hera Spa does not show a worsening of its credit, and therefore shows no difficulty in entering the capital markets over the next few years (iv) Hera Spa has at its disposal certain irrevocable and fully available back-up lines of credit totalling Euro 480 million in order to be able to deal with potential due dates.

Hera Spa maintained an "A2 negative" long-term rating from Moody's and an "A negative" rating from Standard & Poor's. The Group intends to continue to do all in its power to maintain these outstanding rating levels in the future.

1.07 Research and Development

Hera Group's research activities in 2009 chiefly concerned the development of environmental monitoring and control technologies, energy efficiency, optimisation of the network management, and the technological development of renewable sources. Research applied to systems producing energy from renewable sources was given particular emphasis, through a project designed by the Energy Laboratory, which will be implemented in 2010.
Leading research projects were:

Energy Laboratory. In 2009, the plan for the Energy Laboratory was finalised. It calls for an experimental centre for applied research on energy production from renewable and alternative sources, which will be opened in 2010 in Forlì (near the Regional Remote Control Hub and the laboratories for analysing solid wastes, sludge, dioxins and atmospheric emissions). The Energy Laboratory will evaluate various technologies, from those already available on the market to prototypes, with the help of an advanced network for measuring and acquiring data. The experimental activities will be managed in collaboration with the University of Bologna.

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

Emerging Pollutants Project. The term "Emerging Pollutants" (EP) means various biologically active substances of anthropic origin such as personal care products, medicines, psychoactive substances associated with drug addiction, and the relevant metabolites. Interfering endocrines is an unusual and transversal category compared to those listed above. The presence of these substances in the water is considered to be one of the most important environmental problems of the last decade. The problem affects both in Europe and in the United States. These pollutants enter the water systems through the residue of human or animal metabolism or their direct use in industry and agriculture. Hera started a research project in 2007 aimed at identifying the major EPs in the water systems (with particular reference to the natural water allocated for purification for drinking), developing analytical methods for determining their quantities, performing surveys on the presence of these substances in the water systems involved, and evaluating the removal effectiveness of current treatment systems (potability and purification). Hera takes an active part in the study group "Interfering endocrines and water intended for human consumption" (www.edinwater.com) promoted by the AMGA Foundation of Genoa (www.fondazioneamga.it). Other Italian multiutilities, various university departments and the Italian Institute of Health are members of the study group. In 2008, cooperation was also initiated with the Centro Ferrara Ricerche and with the Mario Negri Institute to investigate micro-pollutants from pharmaceuticals in wastewater.

During 2009, the Group acquired some analytical methodologies and tested them in Group laboratories, and also performed some analyses on natural drinking water. Other analyses were performed on wastewater samples in collaboration with the Mario Negri Institute.

Environmental Catalysis Project. The project, started in 2007 in collaboration of the University of Bologna and with the participation of the Italian Institute of Health, envisages reviewing the use of traditional catalytic converters used to abate NOx emissions and dioxins. During 2007, several commercial catalytic converters were analysed with outstanding results, especially for those used on the Group's plants. During 2008, a new filter prototype was designed and plans were made for detailed sampling and analysis of emissions by means of analyses by Group laboratories in collaboration with the Italian Institute of Health. Sampling began in 2009 at the new waste-to-energy plant in Forlì.
At the same time, a study was performed on a catalytic converter used by the Group, with promising results.

Automatic Leakage Detection Project. This project consists of studying innovative systems for automatically locating water leaks, to be used with the remote reading system. A test site was set up in 2007, and tests were carried out under different environmental conditions. The first experimental results were very interesting. In 2008, investigative techniques were refined by developing a device for automatic unsupervised data acquisition in the field, developing a statistical analysis tool on the MatLab® platform and designing a device to simulate water leaks. The device was built in 2009 and installed at actual user locations together with data acquisition tools developed in the previous year. The massive amount of data resulted in better analysis of the physical phenomenon compared to the past. In 2010, aspects related to the industrial production of the device will be studied.

Bio-Hydro Project. The project aims to develop a disposal cycle for organic waste from the agricultural-livestock sector consisting of the hydrogen fermentation of certain types of agricultural-livestock waste, and in the methane co-digestion of residuals for this process with other agricultural-livestock waste and/or the organic separation of solid urban waste. The project was carried out in collaboration with Herambiente and engineering faculty at the University of Bologna and was co-financed by the Ministry of Agriculture, Food, and Forests.

Energy Efficiency Benchmarking Project. The aim of the project is to supply tools to improve the energy efficiency of integrated water service systems. Through benchmarking and appropriate flow-charting of plant processes, it will be possible to measure and monitor the energy efficiency of each plant. The activity will initially involve the purification plants. The project is coordinated by the Water Research Centre of Swindon (UK) and various European multiutilities take part in it. The activity, which began in 2007, continued throughout 2008 with the characterisation of energy consumption at the purification plant of Cervia (Ravenna province) and with the definition of the metering points to verify the actual efficiency improvement. In 2009, project activity involved installing the energy model at the pilot plant. At the same time, the Group's Energy Management unit analysed the economic aspects, also considering the incentive system provided for in governing regulations.

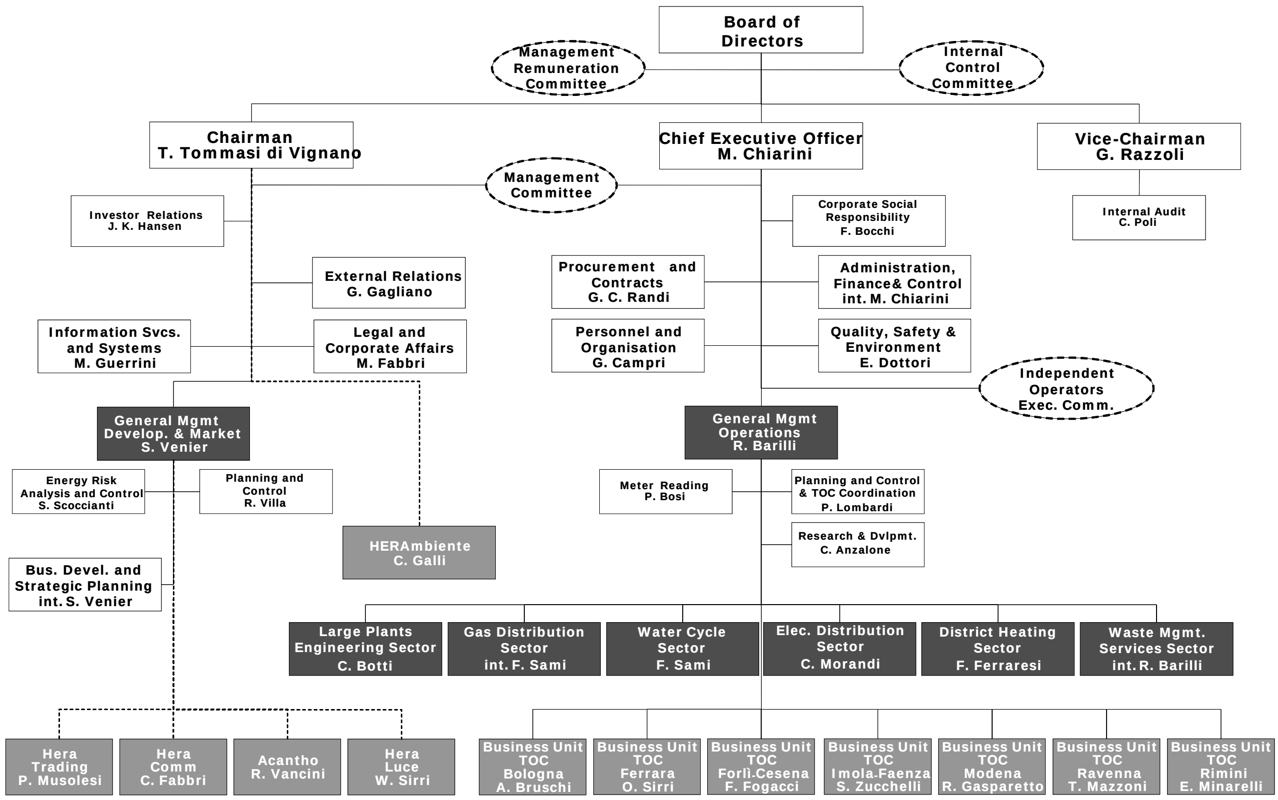
Fuel-Cell Project. The project sets out to evaluate the efficiency of plants for distributed production of electricity and heat through combustion cells fuelled by methane or hydrogen. During 2006, a polymeric-membrane cell prototype fuelled by methane was created. In 2007, the cell was transferred to the ENEA laboratories in Bologna. During 2008, functionality tests were conducted and the possibility of performing an upgrade to the cell was evaluated with the builder. In 2009, the cell was upgraded for its possible use in the Energy Laboratory.

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

Modelling Project for Plants of the Water Cycle. The project expects to develop mathematical models for the purpose of hydraulic and process simulation of purification plants. The objective is to acquire the tools and know-how needed to coordinate mathematical modelling of the plants of the Integrated Water Cycle. This activity will take place alongside the already consolidated network models to support operations, strengthen the plants, and increase their efficiency. The project is being carried out in collaboration with ENEA. In 2009, preliminary activities to develop a model of the sample site and to select off-the-shelf calculation software were performed.

1.08 Human resources and organisation

The organizational macrostructure



Human resources

As at 31 December 2009, the Hera Group had 6,481 employees (consolidated companies), with the following breakdown by role: senior managers (123), middle managers (328), office workers (3,194), and blue-collar workers (2,836). This workforce was the result of the following changes: new resources (+174), resigned resources (-205), changes in the perimeter of companies [(1)] (+110), changes in business perimeter [(2)] (11). It should further be noted that the new hiring was a decisive factor in the changed employee mix, with the increase in qualified staff; lastly, there was an overall increase in the number of employees with university degrees compared to 2008: with an increase from 12% of the total open-ended contract employees in 2008 (equal to 702 units), to 15 % in the first half of 2008 (equal to 947 units).

(1) *Acantho and Satcom*
(2) *Acquisition of Discarica Urbania (Marche Multiservizi)*

Organisation

There were important changes in 2009 from a corporate and organisational point of view that allowed the Group to be more consistent with the business context.

In order to simplify the corporate structure, the integration of the TOCs into the Holding company was approved.

Along with this transaction, and in accordance with Resolution 11/07 of the AEEG (Italian Authority for Electricity and Natural Gas) that requires multiservice companies to separate the functionality of the sales activity from that of distribution for electricity and gas services, the sales activities of the customer management business units of the TOCs were transferred to Hera Comm.

Furthermore, to guarantee the improvement and greater standardisation of the service level provided by the central structures to the areas, the Administration, Quality, Safety & Environment and Local Public Relations and Communications activities were centralised hierarchically from the TOCs to the respective Group's corporate departments, with logistics remaining under local control.

The reorganisation of the Group's Macrostructure also involved the elimination of the Divisions and the establishment of new departments and corporate management.

The managers of the Corporate Departments for Legal and Corporate Affairs, Information Services and Systems, External Relations and the Investor Relations Departments all report to the Chairman. In regard to the Corporate Department for Information Services and Systems, organisational changes to Famula On Line (effective from 1 January 2010) which involved a greater focus on the internal customer and abandoning the sales activities to the External Market.

The manager of the General Management - Development and Market department also reports to the Chairman and, effective 1 July 2009, Herambiente Srl was established by transferring the Waste Management Division business branch related to plant operation (and the subsidiary companies that it coordinated) to Ecologia Ambiente and the simultaneous merger by incorporation of Recupera. From an organisational point of view, in the Production Department (waste treatment and disposal plants), this operation involves changing from a territorial arrangement to an industry-segment arrangement, with consequent specialisation of the management of the various types of plants. From a marketing point of view in the Market Department, this organisational arrangement assures dedicated and focused oversight of the unregulated market activities of waste management (special waste).

The managers of the Corporate Departments for Procurement and Contracts, Administration, Finance and Control, Personnel and Organisation, Quality, Security & Environment and Corporate Social Responsibility all report to the Chief Executive Officer.

Furthermore, the manager of General Management - Operations reports to the Chief Executive Officer, as part of which, in addition to the aforementioned changes in the TOCs, the total structure of the areas was reorganised, with a focus on strengthening the coordination structures of the regulated business and the integrated and dedicated management of the "distributor role".

In addition to the seven TOC business unit structure, the Water Cycle, Gas Distribution, Electricity Distribution, Waste Management Services, Large Plants Engineering and District Heating all report to General Management - Operations. Moreover, the activities of Meter Reading that were previously allocated to the Services Division have been transferred to the staff of General Management - Operations.

Additionally, 2009 saw the corporate consolidation of Acantho and Satcom, telecommunications companies. This transaction involved 130 resources being added to the Group's areas of consolidation.

The rationalisation of the analysis laboratories was completed: as part of project implementation, plans to concentrate staff and assets into the facilities at Bologna, Ravenna and Forlì were concluded.

The centralisation of remote fluids control is in the process of being finalised: following the realisation of the single remote control centre for the fluid networks (water cycle, gas and district heating) of the Hera Group at Forlì, officially opened in May 2008, the scheduled plan to transfer the staff and assets is now under way.

Industrial Relations

With regard to the provisions of the Group Supplementary Collective Labour Agreement dated 22 March 2006, a review of the reporting system was initiated, which takes into account the multi-regional and national scope of the Group, for the purpose of improving its effectiveness.
Trade union activity developed and concluded the discussion on public contracts, particularly considering the state of the art in applying the guidelines to all the territories of the Group.
Organisation of the responsibility for maintenance of the plants of the Waste Management division, now Herambiente Srl, was harmonised.
Final negotiations were launched to reorganise work shifts at the waste-to-energy plants to achieve consistency.
Union procedures were initiated and completed for the purpose of transferring company personnel in the waste management plants, Herambiente Srl
Discussion with union representatives was extended to issues regarding the significant organisational impact resulting from the integration of the Territorial Operating Companies. This process concluded at the end of 2009 and resulted in the transfer to Hera Spa of all activities performed by the TOCs, with the exception of customer management activities, which were transferred to Hera Comm Srl; the effective dates for these transfers was 31 December 2009.
Union issues essentially revolved around the effects of the organisational placement of personnel involved and the regulatory and financial effects following the restructuring.
As regards the latter, in September the review of the Group's Supplementary Collective Labour Agreement of 22 March 2006 began based on the platform presented by the Trade Unions Organisation. There were numerous meetings to integrate or modify the ordinary rules of union relations (Industrial Relations Protocol), Training, Safety, etc. The discussions are currently ongoing and will also result in the definition of a new agreement on the Group's Results Prize.

Training and Development

To strengthen the relationship between training policies and strategic objectives at the Group level, Hera decided to initiate a research programme in collaboration with CRISP (Inter-university Research Centre for Public Utilities Services) to study corporate universities and advanced managerial training applied in public utilities services.
As part of institutional and managerial training programmes, additional programmes of individual coaching and training regarding economic and managerial aspects of public utilities were developed that involved personnel with bachelor's degree and high-potential new hires.
In addition, in collaboration with Alma Graduate School, the first edition of the Managerial Development programme was created, to strengthen managerial skills and develop managerial potential of the personnel involved.
In collaboration with the Alma Mater Foundation, the third edition of the Upper University Training Course "Regulation and markets in public utilities services" was held, for resources included in the potential development project. The fourth edition is expected to be held in January 2010 for senior and middle managers.

The information and training programme, prepared in 2008 following the Consolidated Act on health protection and safety in workplaces (Legislative Decree 81/2008) coming into effect, held dedicated events throughout 2009 that involved professionals at various levels (senior managers, management, workers' health and safety representatives).
In the first quarter of 2009, specific training sessions were held for internal trainers who, over the course of the year, were directly involved as teaching staff in training for specific risks in various business areas.

Lastly, continuity was given to the activity of training in carrying out legal obligations (fire-fighting, first aid, etc.).

In 2009 the intense training activity and professional refresher courses continued for both technical and operating staff as well as specific activities aimed at maintaining and enhancing the operating skills required for activities that are deemed to be critical from the point of view of service quality, safety and potential environmental impacts.
More than 47% of training activities was performed by internal teaching staff, in application of the School of Trades model, which is now effective in all areas.
With the 2009 publications, the number of volumes for "Scuola dei Mestieri" (School of Trades) has reached 12.
The latest Quaderni di Mestiere (Trade Notebooks, or educational support tools for tutoring and teaching in a real working situation) published were: "Back Office Management in customer relations" and "Managing telephone interactions with customers".
In the commercial area, in addition to continuous updating on legislative aspects and reference information systems, training of the staff responsible for the management of customer relations was completed (during 2008 the entire call centre staff was trained and sessions for branch staff were initiated in September 2008 and concluded in the first quarter of 2009).
In addition, a training programme for SAT personnel on customer management information systems (SAP ISU, Siebel, etc.) was conducted in the first months of the year.
A specific, modularised Managerial Development programme involved managers of Hera Comm and Hera Trading. The primary topics covered during the training were: people management, project management, effective communication and negotiation, problem solving and decision making.
In the second half, a training programme began on the role of the distributor as a result of reference legislation on unbundling, which involved managers from the areas primarily affected (specifically, Networks, Customer Management, Operations Management).

Since 2006, Improvement Groups represent one of the principal methods adopted by Hera Group to involve personnel (in particular, office workers and blue-collar workers) and create opportunities for active participation in the improvement of daily working activities, enhance professional skills and, consequently, improve the working environment, motivation and the sense of belonging.
During the second half of 2009, 4 new Improvement Groups were started in response to specific needs of the business units involved.
As is now common practice, during 2010 improvement initiatives approved by management will be subject to specific monitoring during their implementation phases.

2009 hours and costs are lower than the previous year as a result of budget reduction over the course of year; in total 144,898 training hours were recorded (equivalent to 121% of the revised target hours).
In addition, there were more than 29,800 participants in various training initiatives and more than 90% of Group employees took part in at least one training activity.
Per capita hours were 23 hours, consistent with 2007 data (in 2008, the data was unusually high, 33 per capita hours, as a result of the initiatives related to the Code of Ethics).
The total financial investment, net of personnel-in-training and internal staff costs, was Euro 880,200.
These data confirm the substantial commitment of both funds and resources that the Hera Group dedicates to the career advancement and continuous development of it human capital.

Training programme	Man hours
Professional training and specialised courses	68.830
Quality, safety and environment	44.148
Institutional and managerial training	25.948
Information technology	5.972
Total	**144.898**

The Graduates Programme continued in 2009; the project began in 2004 with the objective of recruiting and hiring new graduates with high professional potential. Currently there are 93 resources working in the Group that were hired during the four-year period 2004-2008.
During the year, 19 new resources were added to the programme who completed the basic management course in 2009.
At the same time, in the second half of 2009, the recruiting and selection phase began for the newest edition of the project.
Selection involves a first phase of assessment, with the participation of candidates who were previously selected through curriculum vitae sent to the company and who meet certain demographic and educational requirements.
59 recent graduates participated in the assessment in 2009.
In the initial months of 2010 the selection phase of the 59 recent graduates who participated in the assessment phase will be completed and will result in 17 new resources being hired into the company through an 18-month Employment Contract.
A Potential Development Project was started in 2008 with the objective of enhancing and developing potential in young resources employed in the Group.
All resources belonging to the 2004, 2005 and 2006 editions of the Graduates Programme participated in the project, as well other young resources with similar demographic and educational characteristics.
Beginning in February 2008 a total of 100 resources who, having first had a motivational and orientation interview, then participated in two days at the Assessment Development Centre during which the professional growth potential was evaluated for each participant.
The appropriate individual professional development paths were then developed given the results of the evaluation.
In 2009 the resources involved undertook training/development initiatives based on their annual action plan.
Hera Group has a framework agreement with the University of Bologna that includes incentives for training of students and recent graduates, with particular attention on subjects related to water, energy and waste management, by granting study grants of 6 months for students and 12 months of recent graduates.

As part of this initiative, Hera has a specific agreement with the faculty of Industrial Chemistry that allows recent graduates or student to perform educational, training or orientation internships.

In 2009, as in previous years, Hera Group participated in the PIL Project (Job Placement Paths) with the Università degli Studi in Ferrara, offering 4 recent graduates/students the chance to supplement their university curriculum with experience in a company. The paths envisage a 3-month internship, and subsequently, a job offer from the company with a 12-month contract.

The agreement signed in 2008 with the University of Ferrara that provides for placing students and graduates for periods no longer than 18 months for training and orientation internships continued in 2009.

7 interns were placed with the company from the following master's degree programmes: Master's Degree in Training Organisation and Management, Master's Degree in Project and Construction Management and Master's Degree in Technology and Management Sciences.

1.09 Information systems

During 2009, Hera Group's information systems, management by Group company Famula On Line Spa, followed the strategy established in previous years, working under the following guidelines: efficiency in satisfying business needs, capacity to strengthen the operating efficiency of the companies and organisations of the Hera Group, promptness in updating information systems to sector regulations.

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

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

- Approximately 15 million utility bills issued;
- Approximately 3.1 million service requests, handled through four channels:
    - Call centres;
    - Physical branches;
    - Mail;
    - Internet.

In 2009, information systems managed about 100 projects, classified into the following types:

Supporting new business needs and satisfying sector regulatory requirements:

- Implementation of the changeover plan for information systems with regard to the requirements of the unbundling legislation. In particular we point out the following projects:
    - Gas Internet Portal with the distributor schedule;
    - Dialogue system with the distributors of Hera Comm;
- Completion of the planning activities to integrate the companies SAT and Riccione Gas into the Group information systems;
- adapting the operations information systems to various legislative, tax and regulatory changes, specifically:
    - AEEG (Italian Authority for Electricity and Natural Gas) Decisions;
    - Specific reporting requirements of the AEEG (Italian Authority for Electricity and Natural Gas) and the Italian Antitrust Authority;
    - Changes to the tariff schedule for electricity;
- Realisation of the Integrated Work Journal, which replaced payroll records, personnel registration and other mandatory journals, effective 19 February 2009.
- Standardisation of contractual accounts in order to increase the number of multiservice and multi-company bills;
- Start-up of the project to optimise the tariff calculation functionality for the Electricity Business.

Improving the efficiency of the Hera Group's operating processes:

- Implementing a Suppliers Help Desk for the eProcurement system;
- Updating management systems to control the allocation expenses versus budget;
- Increasing efficiency in the invoicing and collection processes;
- Implementing the new Risk management system, used by Hera Trading;
- Optimising the interfaces between front office and back office, reducing errors in data handling;
- Changing over information systems for managing the Emergency Services process for the remote control of fluids and launching the Emergency Services project for the electricity network;
- Improving and optimising basic mapping and charting for gas, water, electricity, district heating and public lighting networks.
- Optimising the printing process for invoice documents;
- Updating information systems to support the new organisational structure, specifically the spin-off of Herambiente Srl and implementing the Territorial Operating Companies;
- Modifying the information system managing Hera's consolidated financial statements.

Reducing technological risk and improving the operational security and efficiency of information systems:

- Implementation of the update plan for the technological and application infrastructure, by migrating new releases for the principal management information systems (e.g., SAP);
- Continuing to strengthen and upgrade the technological infrastructure to support the constant increase in business volume and to increase the reliability of services provided (e.g., centralisation of the Energy Data Management system, storage and remote backup, database optimisation, technological consolidation of the CRM Siebel system, optimisation of accruals calculation times);
- Launching the Identity Access Management (IAM) project, to automate the lifecycle of the identity of users who access the Hera Group information systems.
- Enhancements based on the Security Planning Document.

Improving internal efficiency of Famula on Line Spa:

- Updating the monitoring systems for application infrastructures;
- Launching technology updates to the EAI system (Enterprise Application Integration).

Also, note that in 2009, the project to modify the organisational model for managing Hera's information systems was completed, aimed at identifying the optimal structure to support the Group's Business Plan beginning in 2010.

1.10 Quality, safety and environment

During 2009, the objectives established by the Central Office for Quality, Safety and Environment (DCQSA) were pursued with excellent results. The service activities performed by DCQSA are directed at all company structures within the Group, with particular involvement by the territorial operating companies, which demonstrated a significant effort and commitment to reach the ambitious objective of certifying our integrated Quality, Safety and Environment management system.

Specifically, OHSAS 18001:2007 certification was obtained for the 1st and 2nd scope segment which involved, respectively:
through April 2009, waste management services and district heating management of the TOCs and the central Hera Spa support and management structures;
through November 2009, gas and electricity distribution at the TOCs and the related sector management structures, Laboratories and the Large Plants Structure, as well as maintaining the areas included in the 1st scope segment. This effort concluded with a decidedly satisfactory result, with points of excellence, but also improvement areas.

In May 2009, the reviews to renew ISO 9001 and ISO 14001 certifications were successfully completed. For both certifications, after concluding the two certification paths, the company saw improved results overall, compared to the previous situation: there were no non-compliance violations that would have impeded certification renewal and there were 1/3 fewer minor non-compliance issues compared to the prior year.

With Safety Regulation no. 7/2009, on 11 February, the Privacy Coordination organisational unit was changed to report directly to the Central Office for Quality, Safety and Environment. At the same time, the manager was appointed, delegated the activities related to "Data Holder Representative" in accordance with Legislative Decree no. 196/03, with the intent of consolidating the role of governance and control of the corporate management systems in the Central Office for Quality, Safety and Environment.

Training activities regarding workplace Health and Safety for senior managers were completed in April, and as part of the programme, tiered training was initiated for supervisors and workers, with the first training module involving more than 7000 people. In the second half of the year, training began related to the second module for supervisors, reaching more than 3000 people.

In 2009, a significant impetus was given to the computerisation of the management aspects of occupational medicine, gathering information to complete risk assessment documentation and managing accidents.

In July, DCQSA held specific training for QSA Managers and RSPPs in the Group regarding techniques of investigating accidents and near-misses. In addition, DCQSA acquired usage rights for the methodology of this training, known as SCAT. As part of the purchase, the tool was refined and customised for Hera businesses.

In September, the Central Office for QSA promoted and coordinated a round table to propose and share ideas with DNV for the criteria with which the various health and safety compliance issues will be handled in the Integrated Water Cycle business, which will be part of the 3rd scope segment for the 18001 certification in 2010.

In November, as part of the objective of creating a concrete tool to encourage worker feedback, permitting a timely and effective exchange of information on requests and notifications, a preferential communication channel was created between the Workers' Representatives for Safety, the Prevention and Protection Service and the Employer, using specific e-mail boxes for each territory.

At the same time, an audit cycle was initiated to verify the degree to which the primary company procedures are applied regarding control of suppliers and supplies, together with the Central Office for Purchases and Contracts. In November, the initiative was implemented in the TOCs in Modena and Ravenna, and in 2010 it will be implemented in the other TOCs and in Herambiente.

A series of initiatives were conducted in regards to managing certification for Emission Trading, such as:
- Conducting internal audits:
- Organising a task force on the specific issue of analysing common problems and aligning behaviours;
- Revising the related procedure;
- Coordinating all adaptations for the Ministry.

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

Among the principal ordinary activities carried out in 2009, DCQSA was mainly involved in:
QSA inspections to ensure compliance of procedures and instructions prepared by various company organisations: in 2009, procedures were submitted to DCQSA, for all of which a QSA compliance inspection was requested;
Updating system documentation, the QSA Manual, System procedures, Risk analysis documents and Environmental analyses;
Supporting company points of contact in monitoring supplier services: in 2009, DCQSA provided support in 36 cases against the 33 planned support initiatives, equivalent to 109% of the plan;
Supporting Facility Management in inspecting area supervision of TOCs: in 2009, the department provided support for 8 inspections by Security Control for Facility Management against 7 planned for the year, equivalent to 110% of the plan;
Conducting internal audits: in 2009, 54 audits were conducted compared to a total of 49 planned audits, equivalent to 110% of the plan;
Participating in evaluation teams for serious non-compliance issues opened by various company departments in regards to suppliers for centralised contracts, in 2009, 21 teams were established by the purchasing office and DCQSA is represented in all of the teams.

As regards Privacy, in addition to ordinary legislative adaptation, there was considerable effort by the department in supporting the organisational changes that occurred in 2009 (establishing Herambiente and disincorporation planned for the end of 2009 / beginning of 2010), highlighting any significant issues on company systems that may not have been considered in relation to handling of data for any party that comes into contact with Hera Group.

There was also a significant effort in managing the following requirements: study and implementation of the new Group Management System (Policies, Guidelines, Delegated Powers, and initial procedures); coordinating adaptations required by the Provision from the Italian Data Protection Authority on governance of parties that perform administrative activities for company information systems (currently in progress with a major impact on the FoL).
Finally, in accordance with the provisions of Rule 26 of Attachment B) to "Legislative Decree no. 196 of 30 June 2003 – Privacy Code", it is noted that for the year in question, Hera Spa, as Data Holder, carried out the update of its Security Planning Document (SPD).

DCQSA has also had a significant obligations in regards to the disincorporation, starting in the initial months of 2010, with the Prevention and Protection Services and all territorial QSA functions, that previously reported to the TOC Managers, were now centralised to report to the DCQSA.

These organisational changes will result in important changes, both operational as well as cultural, for the now-centralised functions. To tackle these changes, in the first months of 2010, management will be heavily involved in sharing and listening to the issues that may result for the operational changes.
However, the immediate impact can be seen in terms of synergies and costs as a result of certain changes that may or have already occurred, specifically, in standardisation and consistency in behaviours as well as inspections.

"Pursuant to Rule 26 of Attachment B) to "Legislative Decree no. 196 of 30 June 2003 – Privacy Code", it is noted that for the year in question, Hera Spa, as Data Holder, carried out the update of its Security Planning Document (SPD)."

1.11 Report on Corporate Governance and Ownership Structures pursuant to art. 123-bis of the FCA

1. Company profile

Hera Group began in 2002 with the integration of eleven public services companies in Emilia Romagna and, over the years, continued its territorial growth to expand its core business.
This growth was the result of its organisational structure, made up of a parent company and territorial operating companies, forming a highly innovate growth model.
Hera is among the principal Italian multiutilities in the waste management, water, gas and electricity businesses and has more than 6,000 employees.
The Company, a public majority shareholding, was initially quoted on the automated stock exchange of Borsa Italiana Spa on 26 June 2003 and operates in the areas of Bologna, Rimini, Forlì, Cesena, Ferrara, Modena and Imola.
Hera's goal is to be the best multiutility 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.
Hera has included Corporate Social Responsibility in its strategy since 2003, as a valid tool for increasing competition and a clear element for achieving sustainable development. The Mission and Values dictate the corporate behaviour expressed in the Code of Ethics which direct all company actions and relationships. Shared mission, values and behaviours make up the strategic and cultural horizon within which the Business Plan is developed, for which results are reported in a transparent manner in the Sustainability Report and which are defined on an annual basis in financial planning.

2. Information on ownership structures (pursuant to art. 123-bis section 1, letter a) of the FCA) as at 29 March 2010

a) Share capital structure (pursuant to art. 123-bis, section 1, letter a) of the FCA)

The share capital is Euro 1,115,013,754.00, entirely subscribed and paid-in, and represented by 1,115,013,754 ordinary shares with a nominal value of Euro 1 each.

Share Capital Structure

Type of Share	Number of Shares	% of Share Capital	Listing	Rights and Obligations
Ordinary shares	1.115.013.754	100%	Borsa Italiana automated stock exchange	Holders of ordinary shares are granted the dividend and voting rights provided for by law.

b) Restrictions on share transfers (pursuant to art. 123-bis, section 1, letter b) of the FCA)

Art. 7 of Hera's Articles of Association envisage that at least 51% of the Company's share capital must be held by municipalities, provinces or consortia constituted pursuant to art. 31 of Legislative Decree no. 267/2000 or by consortia or equity companies of which municipalities, provinces or consortia constituted pursuant to art. 31 of Legislative Decree no. 267/2000 hold the majority of share capital.

Any share transfer which would reduce the amount of local public equity should be considered ineffective for the Company, and it is forbidden to record in the Shareholders' Register any share transfer which violates said provision.

Art. 8.1 of the Articles of Association prohibits any shareholders other than those indicated above to hold equity investments of more than 5% of the company's share capital.

c) Significant equity investments in share capital (pursuant to art. 123-bis, section 1, letter c) of the FCA)

Declarer	Direct Shareholder	% of Share Capital
Municipality of Bologna	Municipality of Bologna	13,67%
Municipality of Modena	HSST-Mo Spa	12,52%
Municipality of Imola	CON.AMI	8,65%
Municipality of Ravenna	Ravenna Holding Spa	4,42%
Municipality of Ravenna	Area Asset Spa	2,97%
Municipality of Rimini	Municipality of Rimini	2,16%
Municipality of Ferrara	Holding Ferrara Servizi Srl	2,14%
Municipality of Cesena	Municipality of Cesena	2,09%

d) Restrictions on the right to vote (pursuant to art. 123-bis, section 1, letter f) of the FCA)

Art. 8.6 of the Articles of Association states that the right of vote of parties, other than public entities, that hold an equity investment in the share capital of more than 5% shall be reduced to the maximum total limit of 5%.

e) Agreements between shareholders (pursuant to art. 123-bis, section 1, letter g) of the FCA)
Pursuant to art. 122 of the FCA, on 20 April 2009, a Voting Trust and Share Transfer Rules Agreement was concluded concerning the methods for exercising voting rights as well as transferring equity investments held in Hera for the 122 public shareholders signing the agreement.
Moreover, a consulting agreement was signed on 23 February 2010 by four minority shareholders of Hera Spa, regarding the exercise of the voting right as well as the appointment of the Board of Directors and the Board of Statutory Auditors.

f) Authorisations to purchase treasury shares (pursuant to art. 123-bis, section 1, letter m) of the FCA)
The Shareholders' Meeting of 28 April 2009, authorised the purchase of Hera ordinary shares, in one or more purchases, up to a rotating maximum of 24,000,000, for a nominal value of Euro 1 per share, within the limits of art. 2357 of the Italian Civil Code, to be completed within 18 months of the resolution date, under the following conditions:

i) purchase price not less than the nominal value and not greater than 10% of the reference price recorded on the market day prior to each individual purchase, envisaging a total amount for the purchases of Euro 60,000,000;
ii) use of treasury shares purchased for transactions which present investment opportunities;
iii) sale at a price which does not have a negative impact on the Company, including over more than one sale.

Furthermore, it should be noted that the number of treasury shares in the portfolio at the end of 2009 was 2,892,876.

3. Compliance (pursuant to art. 123-bis, section 2, letter a) of the FCA)

Hera assimilates the rules of the Code of Conduct (hereinafter "Code") published in March 2006, which contains a formal series of recommendations regarding the methods and rules for managing and controlling listed companies in order to augment clarity and concreteness of figures and roles, particularly of the independent directors and the committees within the board of directors.
Although adoption of the principles contained in the Code is not imposed by any legal obligation, the Company agreed to the principles of the new Code and assimilated its provisions with a resolution passed by the Board of Directors on 10 October 2006. This was done to reassure investors that a clear and well-defined organisational model exists within the company, one having appropriate break-downs of responsibility and powers and a correct balance between management and control, which is an effective tool for enhancing and protecting the value of its shareholders' investment.
The complete text of the Code of Conduct is available to the public on Borsa Italiana's website: www.borsaitaliana.it.

4. Board of Directors

a) Appointment and replacement (pursuant to art. 123-bis, section 1, letter l) of the FCA)

The current Board of Directors, appointed by the Shareholders' Meeting of 28 April 2008, will remain in office until the approval of the financial statements relating to 2010.

The second call of the Shareholders' Meeting, held on 28 April 2009, resolved to change the methodology for appointment pursuant to art. 2449 of the Italian Civil Code, by introducing a single list voting system to appoint all directors which ensures that the minority list has the right to appoint 1/5 of the directors in accordance with the provisions of art. 4 of Decree Law no. 332 of 31 May 1994, converted into Law no. 474 of 30 July 1994.

From the list that received the highest number of notes, 14 (fourteen) are made members of the Board of Directors. The remaining 4 (four) directors are taken from the minority list.

In addition, it should be noted that art. 17 of the Articles of Association specifies that the lists, which must include at least two candidates who meet the independence requirements established for auditors in art. 148, section 3 of Legislative Decree 58/1998 and those in the Code of Conduct established by the Corporate Governance Committee of Borsa Italiana Spa Lists may be submitted by shareholders that represent at least 1% of shares with the right to vote and must be filed at the registered offices at least 20 days prior to the date of the Shareholders' Meeting together with the curriculum vitae of the candidates, the declaration of the individual candidates stating they accept the office and certifying the there are no grounds for ineligibility or incompatibility, as well as the declaration that the individual candidates meets the independence requirements established for the members of the Board of Statutory Auditors pursuant to art. 148, section 3 of the FCA and those provided for in the Code of Conduct.

These lists will be made public via publication in three national newspapers, of which two financial newspapers, at least 10 days prior to the Shareholders' Meeting.

Pursuant to art. 17.10 of the Articles of Association, if during the year one or more directors who were appointed based on list voting is no longer able to fulfil the role, their positions will be co-opted, in accordance with art. 2386 of the Italian Civil Code, by the first unelected candidates from the list to which the directors whose positions are being replaced belonged before becoming members of the Board of Directors. If for any reason there are no candidates available, the Board will provide for the co-optations in accordance with art. 2386 of the Italian Civil Code. Directors appointed in this manner will remain in office until the next Shareholders' Meeting that shall resolve using the established appointment methodology.

There are expected to be changes in the Articles of Association based on new implementing legislation introduced in Directive 2007/36/EC.

The local authorities holding shares have entered into a Voting Trust and Share Transfer Rules Agreement which governs the method for preparing the majority list.

The consultancy agreement, signed on 23 February 2010 by 4 minority shareholders of Hera Spa, provides for nominating members of the Board of Directors.

b) Role of the Board of Directors (pursuant to art. 123-bis, section 2, letter d) of the FCA)

The Board of Directors is the central administrative body of the Company. In compliance with the recommendations of the Code, by which the Board of Directors must meet on a regular basis, the Company Articles of Association provide that the Board meets periodically, at least on a quarterly basis, and whenever the Chairman considers it necessary or when a request is made by at least one third of its members or by the Board of Statutory Auditors. In addition, in compliance with the recommendations of the Code which provide that the Board must function and operate in such a way as to guarantee the effective and efficient performance of its duties, the Company Articles of Association provide that the Board of Directors is vested with the widest powers for the ordinary and extraordinary management of the Company without limitations, with faculty to implement all acts considered necessary or appropriate for the pursuit of the corporate purpose, excluding only those that, by law or the Articles of Association, are strictly reserved for the Shareholders' Meeting.

Specifically, in accordance with the Articles of Association and in addition to definition of the Group structure, resolutions on the following matters are of the exclusive competence of the Board:

(i) appointment and/or revocation of the Chairman and Vice Chairman;

(ii) appointment and/or revocation of the Chief Executive Officer and/or of the General Managers;

(iii) formation and composition of the Executive Committee, appointment and/or revocation of the members of the Executive Committee;

(iv) determination of the powers delegated to the Chairman, Chief Executive Officer and/or General Managers and/or the Executive Committee and amendments thereto;

(v) approval of and amendments to long-term plans and business plans;

(vi) approval of and amendments to Group regulations if adopted;

(vii) engagement and/or appointment, upon the proposal of the Chief Executive Officer, of the managers responsible for each departmental area;

(viii) proposal to place on the agenda of the Shareholders' Meeting the amendment to arts. 7 (public majority shareholding), 8 (limits to shareholding), 14 (validity of the Shareholders' Meeting and rights of veto) and 17 (appointment of the Board of Directors) of the Articles of Association;

(ix) undertaking and disposal of equity investments worth more than Euro 500,000 (five hundred thousand);

(x) purchase and/or sale of properties worth more than Euro 500,000 (five hundred thousand);

(xi) the provision of sureties, liens and/or other collateral worth more than Euro 500,000 (five hundred thousand);

(xii) purchase and/or sale of companies and/or business units;

(xiii) appointment of directors of subsidiaries and/or investee companies;

(xiv) participation in tenders and/or public procedures that involve contractual obligations exceeding Euro 25,000,000.

The Board of Directors has reviewed the suitability of the organisational, administrative and general accounting structures of the Company, with specific reference to the internal control system.

The Board of Directors in compliance with the provisions of art. 23 of the Articles of Association and art. 150 of Legislative Decree 58/98, regularly reports to the Board of Statutory Auditors, at least on a quarterly basis, normally during the meetings of the Board of Directors or directly with written reports sent to the Chairman of the Board of Statutory Auditors, on the activities performed and on the most important economic and financial transactions implemented by the Company or by its subsidiaries, as well as on the transactions in which the directors have an interest, on their own behalf or on behalf of third parties or which have been influenced by the party that exercises the activity of direction and coordination. The director, pursuant to art. 2391 of the Italian Civil Code, informs the other directors and the Board of Statutory Auditors of any interest that, on his own account or on behalf of third parties, he/she has in a given transaction of the Company, indicating the nature, terms, origin and extent; if the Chief Executive Officer is involved, he/she must refrain from undertaking the transaction, entrusting it to the Board.
The Board of Directors met 12 times in 2009. All directors and all standing auditors participated in 5 meetings, while in the other 7 meetings almost all the directors and the entire Board of Statutory Auditors participated. The meetings of the Board of Directors last, on average, more than 2 hours.

The General Manager – Operations, and the General Manager – Development and Market, who are invited to participate in the Board meetings, were present in 12 meetings during 2009.
The Corporate and Legal Affairs Manager, in the role of Secretary of the Board of Directors, was present at all the Board meetings.

As for the current financial year, as at 29 March 2010, 3 Board of Directors meetings have been held. Nearly all directors and all standing auditors attended the meetings. As at 29 March 2010, 8 Board of Directors meetings have already been scheduled for the rest of the year.

Transactions with Related Parties

For the purpose of reviewing and updating the guidelines and principles of conduct for the implementation of arts. 5 and 11 of the Code of Conduct in its previous 1999 version as amended in 2002, approved during the meeting of 27 May 2003, and also in consideration of CONSOB Resolution no. 14990 of 14 April 2005 that amended the same notion of related party, the Board of Directors of Hera Spa, in its meeting of 10 October 2006, approved the new guidelines on significant transactions, transactions with related parties and transactions in which a director is the bearer of an interest, so as to guarantee that they are carried out transparently and in observance of the criteria of substantial and procedural correctness, pursuant to arts. 1 and 9 of the new Code of Conduct.

In short, the guidelines are as follows:

1. The Board of Directors has identified the following as significant transactions, even if entered into within the sphere of the Group:
   a) transactions which oblige the Company to make a disclosure document available to the general public, drawn up in accordance with the provisions established by CONSOB;
   b) undertaking and disposal of equity investments worth more than Euro 500,000 (five hundred thousand);
   c) purchase and/or sale of properties worth more than Euro 500,000 (five hundred thousand);
   d) provision of sureties, liens and/or other collateral worth more than Euro 500,000 (five hundred thousand);
   e) purchase and/or sale of companies and/or business units;
   f) participation in tenders and/or public procedures that involve the undertaking of contractual obligations exceeding Euro 25,000,000 (twenty-five million);
   g) issue of financial instruments;
   h) raising of loans, credit facilities or other lending transactions, for amounts totalling more than Euro 5,000,000 (five million) per individual transaction.

   At the time of the examination and approval of all significant transactions, the Board of Directors must receive adequate information from the delegated bodies concerning Hera Spa's interest in performing the transaction, the economic feasibility of the same, and the coherence with the Company's strategic plans.

   The Board of Directors examines and preliminarily assesses the existence of the afore-mentioned requisites, also in the event that they refer to transactions by Hera Spa's subsidiary companies
2. The Board of Directors identifies as "related parties" those indicated by the international accounting principles concerning financial statement disclosure on transactions with related parties (IAS No. 24), adopted according to the procedure pursuant to art. 6 of EC Regulation no. 1606/2002, and therefore, in the case of HERA Spa, the following:
   - the parties subject, directly or indirectly, to the sole or joint control of HERA Spa, and the associated companies of HERA Spa;
   - the executive and non-executive directors, standing auditors and, if appointed, general managers of Hera Spa and its subsidiaries and their close family members;
   - the companies in which the executive and non-executive directors or the standing auditors or, if appointed, the general managers of Hera Spa or its subsidiaries or the related close family members exercise considerable influence. This case also includes the companies which have a sole director, auditor or general manager in common with Hera Spa or with its subsidiaries.

3. The significant transactions, along with any transaction which exceeds the threshold of Euro 5,000,000, if concluded by Hera Spa or by its subsidiaries with related parties, are subject to the decision-making responsibilities of the respective administrative bodies.
   Infragroup transactions concluded under standardised conditions and which are not considered to be atypical or unusual, are excluded from the afore-mentioned decision-making responsibilities. Atypical or unusual transactions, infragroup or otherwise, concluded with related parties which exceed the threshold of Euro 500,000, are subject to the afore-mentioned decision-making responsibilities.
   Transactions which, due to their purpose or nature, fall within the normal course of the Company's business and those which do not contain particularly critical elements in relation to their features or the risks inherent to the nature of the counterpart, originally carried out, are considered to be typical or usual transactions. Those concluded under equal conditions with any other party are transactions at standardised conditions.
4. Transactions with related parties entered into by Hera Spa or its subsidiaries, are reserved for the decision-making responsibility of the respective Boards of Directors.
   In this case, the Boards of Directors will be adequately informed by the delegated bodies on the following elements:
   - degree of correlation between the counterparts;
   - an indication of the most important contractual and financial characteristics and terms of the transaction;
   - Hera Spa's interest or that of its subsidiaries in carrying out the transactions;
   - substantial correctness of the transaction.

   So as to avoid that the transaction is stipulated under conditions other than those which would have likewise been negotiated between unrelated parties, Hera Spa's Board and – for transactions not subject to the prior approval of the Board – the delegated bodies will see that the transaction is concluded, subject to the opinion of the Internal Control Committee and/or with the assistance of independent experts of proven professionalism and competence for the purpose of evaluating the assets and the financial, legal or technical consultancy.
5. Any director who has an interest in the transaction, potential, indirect or otherwise, on his/her own account or on behalf of third parties, after having promptly and fully informed the other directors of the existence of the interest and of other significant circumstances, shall withdraw from the Board meeting at the time of resolution.
   An indirect interest is an interest that involves:
   - the close family members of the director, potentially capable of influencing the director;
   - or a company directly or indirectly controlled by the director.

c) Composition of the Board of Directors (pursuant to art. 123-bis, section 2, letter d) of the FCA)

The Company's Articles of Association envisage that the Board of Directors is comprised of 18 members.
In compliance with the provisions of art. 1.C.1 letter g) of the new Code, the Board of Directors has evaluated the size, composition and functioning of the Board and its committees, and confirms its positive opinion on the functioning of the Board.

The current composition of the Board of Directors is indicated below, and the personal and professional profiles of each director is available on the internet site www.gruppoHera.it.

Name and Surname	Office	Position
Tomaso Tommasi di Vignano	Chairman	Executive Director
Maurizio Chiarini	Chief Executive Officer	Executive Director
Giorgio Razzoli	Vice-Chairman	Non-executive Independent Director
Mara Bernardini	Director	Non-executive Independent Director
Filippo Brandolini	Director	Non-executive Independent Director
Luigi Castagna	Director	Non-executive Independent Director
Mauro Cavallini	Director	Non-executive Independent Director
Piero Collina	Director	Non-executive Independent Director
Pier Giuseppe Dolcini	Director	Non-executive Independent Director
Ferruccio Giovanelli	Director	Non-executive Independent Director
Lanfranco Maggioli	Director	Non-executive Independent Director
Alberto Marri	Director	Non-executive Independent Director
Daniele Montroni	Director	Non-executive Independent Director
Roberto Sacchetti	Director	Non-executive Independent Director
Paolo Trombetti	Director	Non-executive Independent Director
Francesco Sutti	Director	Non-executive Independent Director
Bruno Tani	Director	Non-executive Independent Director
Stefano Zolea	Director	Non-executive Independent Director

Plurality of offices in other companies

The Board of Directors, with its resolution of 10 October 2006, has established the limit for directors or auditors of a maximum of one office in listed companies that can be considered equivalent to the role of executive director and a maximum of two offices in listed companies that can be equivalent to the role of non-executive director.

d) Delegated bodies

Chairman of the Board of Directors

The Board of Directors, in the meeting held on 30 April 2008, passed a resolution to grant the following powers to the Chairman:

1. to chair and direct the Shareholders' Meetings;
2. to establish the agenda of the meetings of the Board of Directors taking into account the proposals of the Chief Executive Officer;
3. to supervise the execution of the resolutions passed by the corporate boards of the Company, also based on the periodic reports provided by the internal auditing department;
4. to represent the Company before third parties and in court with the power to appoint attorneys and lawyers;
5. to make, in association with the Chief Executive Officer, any urgent decision reserved for the Board of Directors, which the Board shall be notified of in the first meeting thereafter;
6. in association with the Chief Executive Officer, to propose to the Board of Directors designation of Company representatives on the administrative and control boards of investee companies;
7. to represent the company in relations with the shareholding public authorities;
8. to propose to the Board the candidates standing for member of the Committees which the Board may decide to establish in compliance with stock exchange regulations which the Company is obliged to observe, or which it intends to establish;
9. to execute the decisions of the Shareholders' Meeting and of the Board of Directors as far as his/her authority permits;
10. to supervise the Company's performance for the purposes of achieving corporate goals and to draw up proposals relating to the management of the Company to be submitted to the Board of Directors;
11. to be responsible for the organisation of services and offices under his/her authority and also for the subordinate employees;
12. to supervise operations of the Company and of subsidiaries, reporting monthly to the Board of Directors;
13. to draw up long-term plans and business plans to be submitted to the Board of Directors; to implement corporate and Group strategies, within the context of directives established by the Board, and to exercise the powers delegated thereto, and in particular those listed hereunder, in compliance with said strategies and directives;
14. to propose to the Board all the initiatives that he/she may deem useful to the interests of the Company, and the Group, and to draw up proposals on matters reserved for said Board;
15. to represent the Company in the shareholders' meetings of companies, associations, entities and bodies which do not constitute stock companies, of which the Company is a member, with faculty to issue special proxies;
16. to make payments into bank and post office accounts of the Company, and to endorse cheques and drafts for crediting on said accounts;
17. to actively or passively represent the Company before public and private entities and offices, Chambers of Commerce, stock exchanges, the National Commission for Listed Companies and the Italian Stock Exchange (CONSOB), the Ministry for Foreign Trade, and the Italian Exchange Office as well as any other public administration or authority; by way of example:
    a. to sign notices, including notice to the General Register of Shares and to CONSOB, and to fulfil the corporate obligations provided by law and regulations;
    b. to submit reports, motions and appeals, to apply for licences and authorisations;

18. to represent the Company in all active and passive lawsuits, in all stages of civil and administrative proceedings, before arbitration boards, with the widest powers to:
    a. bring conservative, restraining and executive actions, request summary judgments and seizure of property and oppose the same, enter civil proceedings, file motions and appeals;
    b. request and oppose any evidence, undergo free or formal examination, elect domicile, appoint lawyers, attorneys and arbitrators and perform all else that proves necessary to the positive outcome of the lawsuits at issue;
19. to grant and revoke powers of attorney within the sphere of the aforesaid powers, for individual acts or categories of acts, to both employees of the Company and to third parties including legal entities;
20. to stipulate and sign contracts and memorandums of association of companies, associations and consortiums worth no more than Euro 500,000 (Euro five hundred thousand) for each transaction;
21. to establish, in the Company's interests, consultancy activities with external experts and professional consultants, specifying terms and conditions of payment, all within the limits of Euro 100,000 (Euro one hundred thousand) for each transaction;
22. as far as his/her authority permits, to stipulate, amend and terminate commercial and service agreements of any nature with companies and entities;
23. to participate, as far as his/her authority permits, in the capacity of representative of the Company, as lead company or as principal company, in the formation of joint ventures, T.A.C. (Temporary Associations of Companies), E.G.E.I. (European Group of Economic Interest), consortia and other entities, issuing and receiving the relative mandates, for the purpose of participating in tenders for the awarding of works, services and supplies;
24. to take part, as far as his/her authority permits, in the Company's name, also in T.A.C. (Temporary Associations of Companies), E.G.E.I.. (European Group of Economic Interest), consortia and other entities, in tenders for contracts or concessions, auctions, private invitations to tender, private negotiations, calls for bids and other public auctions at national, EU and international level, even admitted to State grants or aid, for the awarding or works, supplies of plant, including "turnkey", and/or of goods and/or of studies and/or of research and/or of services in general for any national, EU or international public or private entity; submit applications for participation as from the prequalification stage; submit bids and, in the case of awarding, sign the relative documents, contracts and commitments, including the issue of guarantees and/or the establishment of guarantee deposits, with the widest powers to negotiate, settle and/or complete all the clauses that he/she may deem necessary and/or appropriate and/or useful;
25. to take part, as far as his/her authority permits, in any type of public or private auction or invitation to bid in Italy and abroad;
26. to stipulate, amend and terminate contracts for insurance policies with expense limit relating to the annual premium, including surety insurance policies up to a maximum of Euro 500,000 for each transaction (this limit does not apply for transactions related to participation in tenders);
27. to rent or let out property under lease or sublease and stipulate, amend and terminate the relative contracts;
28. to deliberate the cancellation, reduction, restriction of mortgages or liens registered in favour of the Company, as well as subrogation in favour of third parties, where the aforesaid cancellations and waivers are requested further or subordinate to the full discharge of the credit;
29. as far as his/her authority permits, to stipulate, with all the appropriate clauses, assign and terminate contracts and agreements in any case pertaining to the corporate purpose – including those referring to know-how, trademarks and patents – including in association with other companies;

30. to establish, register and renew mortgages and liens for third parties' account and to the benefit of the Company; permit mortgage cancellations and limitations for third parties' account and to the benefit of the Company for return and reduction of obligations; waive mortgages and mortgage subrogation, including those of a legal nature, and effect any other mortgage transaction, always for third parties' account and to the benefit of the Company, and therefore receivable, exonerating the competent property registrars from each and any responsibility;
31. to appoint lawyers and attorneys in any disputes and for any stage of proceedings; conclude settlements, sign arbitration agreements and arbitration clauses, also proceeding to nominate and appoint arbitrators;
32. to appoint attorneys for single acts, within the powers assigned;
33. to decide the Company's subscription to bodies, associations, and entities of a scientific and technical nature or pertaining to studies and research within the Company's field of interest, where the related subscription fees do not represent an interest in the equity of said entity and participation in the same does not involve an outlay of more than Euro 100,000.00 (Euro one hundred thousand).

In relation to the powers listed above, and in observance of art. 2 of the Code, readers are hereby informed that the Board of Directors has granted management authority to the Chairman as a result of the organisational complexity of the Hera Group and for the purposes of a more efficient achievement of the company's business and strategies.

Chief Executive Officer

During the same meeting, the Board of Directors passed a resolution to vest the Chief Executive Officer with the following powers:

1. to execute the decisions of the Shareholders' Meeting and of the Board of Directors as far as his/her authority permits;
2. to make, in association with the Chairman, any urgent decision reserved for the Board of Directors, which the Board shall be notified of in the first meeting thereafter;
3. to implement corporate and Group strategies, within the context of directives established by the Board, and to exercise the powers delegated thereto, and in particular those listed hereunder, in compliance with said strategies and directives;
4. to propose to the Board all the initiatives that he/she may deem useful to the interests of the Company, and the Group, and to draw up proposals on matters reserved for said Board;
5. to draw up the annual budget to be submitted before the Board of Directors;
6. to be responsible for the organisation of the services and offices under his/her authority and also for subordinate employees;
7. to define the functional structures of the Company and its subsidiaries, within the framework of the general organisation guidelines established by the Board, specify the criteria for personnel recruitment and management in compliance with the annual budget; propose the appointment of managers to the Board of Directors; engage, appoint and dismiss personnel up to and excluding the rank of General Manager, in compliance with the provisions contained in the annual budgets; adopt and implement the disciplinary sanctions, dismissal and any other measure in respect of blue-collar workers, office workers, assistants and auxiliary staff;
8. to stipulate, amend and terminate contracts for the opening of credit, loans of any type and duration; request the drawdown of tranches of loans, up to the amount of Euro 3,000,000 (Euro three million) for each contract;

9. to open and close current accounts with banks and credit institutions, withdraw sums from the accounts held in the Company's name, issuing for this purpose the relative cheques or equivalent credit documents, and order transfers utilising effective availability or credit lines in the current account;
10. to make payments into bank and post office accounts of the Company, and to endorse cheques and drafts for crediting on said accounts;
11. to draw bills on customers, endorse also for discount promissory notes, bills and drafts as well as cheques of any kind and effect any consequential transaction;
12. to actively and passively represent the Company before tax authorities and commissions of any nature and rank as well as before the Cassa Depositi Prestiti, the Bank of Italy, customs offices, post and telegraphic Offices; by way of example:
    a. to sign tax and VAT returns and to fulfil any tax-related obligation,
    b. to submit reports, motions and appeals, to apply for licences and authorisations;
    c. to issue receipts, in particular for payment orders in relation to credits subject to factoring transactions;
    d. to perform any transaction at the Cassa Depositi Prestiti, the Bank of Italy, customs offices, post and telegraphic offices for shipment, deposit, clearance and collection of goods, credit instruments, parcels and packages, registered and insured letters, issuing receipt in discharge;
13. to represent the Company in all lawsuits pertaining to labour law including the power to:
    a. settle individual labour disputes concerning the categories of officers, white-collar workers, assistants and auxiliaries;
    b. request and oppose any evidence, undergo free or formal examination, elect domicile, appoint lawyers, attorneys and arbitrators and perform all else that proves necessary to the positive outcome of the lawsuits at issue;
14. to represent the Company before social security and welfare offices and institutions for the settlement of issues relating to employees of the Company, and also before trade unions in negotiations for contracts, agreements and labour disputes, with the power to sign the relative documents;
15. to issue guarantees and grant loans up to the value of Euro 500,000.00 (Euro five hundred thousand) for each transaction; said limit shall not apply to transactions related to participation in tenders; issue, accept and endorse credit instruments;
16. to grant and revoke powers of attorney within the sphere of the aforesaid powers, for individual acts or categories of acts, to both employees of the Company and to third parties including legal entities;
17. to participate, as far as his/her authority permits, in the capacity of representative of the Company, as parent company or as principal company, in the formation of joint ventures, T.A.C. (Temporary Associations of Companies), E.G.E.I. (European Group of Economic Interest), consortia and other entities, issuing and receiving the relative mandates, for the purpose of participating in tenders for the awarding of works, services and supplies;

18. to take part, as far as his/her authority permits, in the Company's name, also in T.A.C. (Temporary Associations of Companies), E.G.E.I.. (European Group of Economic Interest), consortia and other entities, in tenders for contracts or concessions, auctions, private invitations to tender, private negotiations, calls for bids and other public auctions at national, EU and international level, even admitted to State grants or aid, for the awarding or works, supplies of plant, including "turnkey", and/or of goods and/or of studies and/or of research and/or of services in general for any national, EU or international public or private entity; submit applications for participation as from the prequalification stage; submit bids and, in the case of awarding, sign the relative documents, contracts and commitments, including the issue of guarantees and/or the establishment of guarantee deposits, with the widest powers to negotiate, settle and/or complete all the clauses that he/she may deem necessary and/or appropriate and/or useful;
19. to take part, as far as his/her authority permits, in any type of public or private auction or invitation to bid in Italy and abroad;
20. as far as his/her authority permits, to stipulate, amend and terminate commercial and service agreements of any nature with companies and entities;
21. as far as his/her authority permits, to stipulate, with all the appropriate clauses, assign and terminate contracts and agreements in any case pertaining to the corporate purpose – including those referring to know-how, trademarks and patents – including in association with other companies;
22. to establish, in the Company's interests, consultancy activities with external experts and professional consultants, specifying terms and conditions of payment, all within the limits of Euro 100,000 (Euro one hundred thousand) for each transaction;
23. to conclude settlements, sign arbitration agreements and arbitration clauses, also proceeding to nominate and appoint arbitrators;
24. to arrange for sureties to be provided by third parties in favour or in the interests of the Company, both in its position as creditor and as debtor, not exceeding the amount of Euro 100,000 (one hundred thousand) for each transaction;
25. to provide for the expenses incurred by the Company for investments; stipulate, amend and terminate the relative contracts, in particular for:
    a. works and supplies necessary for the transformation and maintenance of properties and plant;
    b. purchases and disposals of furniture, fittings, machinery and moveable assets in general, including those enrolled in public registers, as well as finance leases and rentals of said assets, with the cost limit referring to the annual rental;
    c. purchases, also under usage licence with the cost limit referring to the annual premium, and job orders relating to EDP programmes;
    d. commercial information;
26. to appoint attorneys for single acts, within the powers assigned;

27. the Chief Executive Officer is also assigned the authority and responsibility set forth in Legislative Decree no. 626 of 19 September 1994, as well as Legislative Decree no. 81 of 9 April 2008 and subsequent amendments and integrations regarding worker health and safety during work, with the authority to delegate, with the exception of the following sectors/structure, for which the role of "Employer" is covered by other specifically appointed parties:
    a. Services sector;
    b. General Management - Operations, specifically for the Corporate Departments of Gas Distribution, Water Cycle Sector, Electricity Distribution Sector, District Heating Sector, Waste Management Sector, Large Plants Engineering Sector, as well as for the Staff Planning, Control, TOC Relations Coordination, Research and Development and Meter Reading Sectors.
    c. TOC Business Unit Corporate Departments for Bologna, Ferrara, Forlì – Cesena, Imola – Faenza, Modena, Ravenna and Rimini;
28. in particular, the Chief Executive Officer is assigned the role of "Employer" pursuant to and for the purposes of art. 2 of Legislative Decree no. 626 dated 19 September 1994, and art. 2 of Legislative Decree no. 81 of 9 April 2008 and subsequent amendments and integrations, with the duties provided for therein with faculty to delegate, as far as is permitted by said decree, the performance of every activity useful and/or necessary for ensuring compliance with the provisions of the law;
29. lastly, the Chief Executive Officer is assigned the powers and responsibilities set forth in Legislative Decree no. 196 dated 30 June 2003 concerning the protection of individuals and other parties in observance of the handling of personal details.

Hence both the Chairman and the Chief Executive Officer are executive directors.

Disclosure to the Board of Directors

In compliance with the recommendations of the Code, the delegated bodies report to the Board of Directors and to the Board of Statutory Auditors, at least on a quarterly basis, on the activities performed when exercising the powers assigned thereto.

The Chairman ensures that each director and statutory auditor has all the information and documentation necessary for discussing the business on the agenda of the Board meetings at least 3 days before the meeting, except in cases of necessity and urgency.

Lastly, the Chairman and the Chief Executive Officer ensure that the Board of Directors is also informed on the most important changes in legislation and regulations relating to the Company and corporate offices.

e) Executive Committee (pursuant to art. 123-bis, section 2, letter d) of the FCA)

With the approval of the financial statements as at 31 December 2007, the term of the administrative board expired, and consequently, that of the Executive Committee. Therefore, the Board of Directors that had been appointed during the Shareholders' Meeting held on 29 April 2008 appointed the Executive Committee with the following members on 30 April 2008, as provided for by art. 23.3 of the Articles of Association:

- Tomaso Tommasi di Vignano – Chairman;
- Giorgio Razzoli – Vice-Chairman;
- Maurizio Chiarini - Member.

With regards to the annual definition of the Group Business Plan and Budget and to proposals for appointment of 1st level senior executives, the Committee has the task of expressing an opinion prior to presentation to the Board of Directors and also resolving:

1. as to contracts and conventions in any way pertaining to the corporate purpose worth more Euro 2 million per single contract;
2. in the interests of the Company, consultancy arrangements with external experts and professional consultants, specifying terms and conditions of payment, worth more than Euro 100,000 and up to Euro 500,000 and more generally on the overall criteria for use;
3. as to the Company's subscription to bodies, associations, and entities of a scientific and technical nature or pertaining to studies and research within the Company's field of interest, where the related subscription fees do not represent an interest in the equity of said entity and participation in the same involves an outlay of more than Euro 100,000 and up to Euro 500,000;
4. to settle disputes and/or waive credits of an amount exceeding Euro 1,000,000;
5. as to the activation, amendment and termination of contracts for the opening of credit, loans of any type and duration which involve a commitment of more than Euro 1,000,000 and up to Euro 5,000,000; request the drawdown of tranches of loans, for an amount of more than Euro 3,000,000 and up to Euro 5,000,000 per single contract;
6. as to the stipulation, amendment and termination of contracts relating to:
   - works and supplies necessary to the transformation and maintenance of properties and plants worth more than Euro 15,000,000;
   - purchase *and disposal of furniture, fittings, machinery and moveable assets in general, including those enrolled in public registers worth more than Euro 8,000,000*

The Executive Committee also has the duty to examine the audit reports every quarter and to supervise, in observance of the system of delegated powers defined on the corporate level, implementation of the action plans ensuing from the audit reports.

The Executive Committee met 6 times during 2009, and all members attended all the meetings. The meetings of the Executive Committee last, on average, more than 1 hour.

f) Independent directors

Currently there are 16 directors qualifying as non-executive independent members of the Board, in that:

a) they do not control, directly or indirectly, even via subsidiaries, trust companies or third parties, the Company; they do not exercise significant influence over the Company; they are not parties to a shareholders' agreement via which one or more parties may exercise control or significant influence over the Company;
b) they are not currently nor have they been in the last three accounting periods, important representatives of the Company, one of its subsidiaries with strategic importance or one of the companies subject to joint control together with the Company, or of a company or body which, also together with others as a result of shareholders' agreements, controls the Company or is able to exercise significant influence over the same;

c) they do not have nor have they had in the previous year, either directly or indirectly, significant commercial, financial or professional dealings:
   - with the Company, one of its subsidiaries, or with some of the related important representatives of the same;
   - with a party who, also together with others as a result of shareholders' agreements, controls the Company, or – if concerning companies or bodies – with the related important representatives, and who have not been employees of one of the afore-mentioned parties in the last three accounting periods;

d) they have not received in the last three accounting periods, from the Company or from a subsidiary or parent company, significant remuneration in addition to the "fixed" emolument of the company's non-executive directors, including therein participation in incentive schemes linked to the Company's performance, even share-based;

e) they have not been directors of the Company for more than nine years in the last twelve years;

f) they have not performed the role of executive director in another company in which an executive director of the Company performs the role of director;

g) they are not shareholders or directors of a company or a body belonging to the network of the firm appointed to audit the Company's accounts;

h) they are not close family members of a party found in one of the positions contrasting with those described in the previous points.

i) they meet the requirements of independence set forth under art. 148, section 3, of the FCA.

The following circumstances do not invalidate the requisites for independence of a director: the appointment of the director by the shareholders or group of shareholders that control the Company, holding the office of director of a subsidiary of the Company and relative remuneration, being a member of one of the advisory committees described hereunder.

In pursuance of the provisions contained in art. 3 of the Code, the Board of Statutory Auditors has checked the correct application of the criteria and the assessment procedures adopted by the Board of Directors for ascertaining the independence of its members.

5. Handling of Corporate Information

In order to regulate the communication to sector authorities and the public of news, data and price-sensitive information inherent in the operations and activities performed, whose dissemination may impact the valuation processes of equity shares and, consequently, on the level of demand and supply of the same, the Board of Directors adopted specific procedures on 15 February 2007 which have the objective of:

i) identifying price-sensitive and confidential information;

ii) defining the methodology for authorising and managing said information within the Group;

iii) controlling the methods of external communications, in terms of documentation, communications issued, interviews and statements released and meetings held.

In addition, beginning on 1 April 2006, when the new legislation concerning internal dealing came into force, disciplined by art. 114 of the FCA and by arts. 152-sexies, 152-septies and 152-octies of the Issuers' Regulation no. 11971 dated 14 May 1999, introduced by means of CONSOB Resolution no. 15232 dated 29 November 2005, the Internal Dealing Code of Conduct adopted by Hera Spa, during the Board Meeting held on 10 March 2003, ceased to be effective.

Consequently, pursuant to the new procedure adopted by Hera Spa in 27 March 2006, and in accordance with art. 152-*sexies* of the Issuers' Regulations, the following individuals have been identified as significant parties, obliged to inform the CONSOB of transactions they have carried out on Hera Spa's financial instruments: members of the Board of Directors, standing auditors and shareholders who hold an equity investment equating to or greater than 10% of the share capital, as well as individuals closely linked to the same.

In compliance with the provisions of the Issuers' Regulations, the procedure adopted by Hera Spa has identified the timescales and communication formalities for transactions carried out by the significant parties. Hera Spa has identified the Legal and Corporate Affairs Department as the party tasked with receiving, handling and disclosing the information to the market.
The appointed party will avail of the External Affairs Department for the disclosure of the information to the market by means of the NIS screen-based system (Network Information System).

Furthermore, in accordance with the provisions of art. 115-*bis* of the FCA and art. 152-*bis* of Issuers' Regulation no. 11971 dated 14 May 1999, introduced by means of CONSOB Resolution no. 15232 dated 29 November 2005, as from 1 April 2006 Hera Spa set up the "Register of Individuals who, as a result of working or professional activities, or in relation to functions performed, have access on a regular or occasional basis to privileged information", this being understood to be information (i) of a precise nature; (ii) directly or indirectly concerning the issuer or its financial instruments; (iii) which has not been made public and (iv) which if made public, could considerably influence the prices of these financial instruments (price sensitive information).

6. Committees within the Board of Directors (pursuant to art. 123-bis, section 2, letter d) of the FCA)

The committees set up are representative of an internal structure of the Board of Directors and fulfil an advisory and consulting role. The Board of Directors, reappointed on 29 April 2008, redefined the composition of said committees at the meeting of 14 May 2008.

a) Appointment Committee

The Appointment Committee was not established in that the appointment of the 14 directors was made by local entities and the remaining 4 directors by other companies through the list vote system.

b) Remuneration Committee

Composition and activities of the Remuneration Committee (pursuant to art. 123-bis, section 2, letter d) of the FCA)

The Board of Directors established the Remuneration Committee in its meeting of 4 November 2002 and in accordance with the provisions of the Code.
This Committee, reappointed in its present composition on 14 May 2008, consists of Giorgio Razzoli as Chairman, Paolo Trombetti (appointed 12 November 2009 to replace Francesco Sutti), Piero Collina and Mara Bernardini (appointment effective 19 July 2009 to replace Nicodemo Montanari). The Chairman of the Board of Directors and the Chief Executive Officer may attend committee meetings upon express invitation of the Committee Chairman.

The Remuneration Committee met 3 times during 2009, and all members attended all the meetings. The meetings of the Remuneration Committee last, on average, 1 hour.

Activities of the Remuneration Committee

The Remuneration Committee has the role of formulating proposals to the Board of Directors for the remuneration of the Chairman, Chief Executive Officer, General Manager - Operations and directors covering specific roles, as well as on the basis of indications provided by the Chief Executive Officer, for the adoption of general criteria for the remuneration of management, without prejudice to the Chief Executive Officer's duty to define policies and levels of management remuneration.
In performing its duties, the Remuneration Committee has had the opportunity to access the necessary company information and functions for carry out its tasks.
During the meetings in 2009, the minutes for which were duly recorded, the committee discussed the 2009 Balanced Scorecard for directors and managers, the final results of the 2008 Balanced Scorecard, 2009 fixed and variable remuneration guidelines for directors, directors of subsidiaries and Hera Group managers, remuneration for top management positions, as well as the 2010 Balanced Scorecard for directors and managers.

Directors' remuneration

The Shareholders' Meeting of 29 April 2008 awarded the directors a fixed annual remuneration.
In its meeting on 23 June 2008, the Board of Directors resolved to assign the Chairman and Chief Executive Officer a remuneration consisting of a fixed amount, inclusive of the indemnity due thereto, as well as an additional variable annual sum linked to the Company's operating results or to the achievement of specific targets set by the Remuneration Committee. In the same meeting, the Board of Directors passed a resolution to pay the Vice-Chairman a fixed annual consideration including the indemnity due thereto as director and any other remuneration for offices held in Group companies.
In the meeting of 14 May 2008, the Board of Directors also assigned a further fixed annual amount only to the directors holding specific offices, over and above the indemnity due thereto as directors, for serving on other boards of directors of Group companies and/or other boards associated with the Company's Board of Directors.

c) Internal Control Committee

Composition and activities of the Internal Control Committee (pursuant to art. 123-bis, section 2, letter d) of the FCA)

In compliance with the provisions of the Code, the Company Board of Directors, during the meeting held on 4 November 2002, passed a resolution to set up an Internal Control Committee. This Committee, reappointed in its composition on 14 May 2008, is composed of Giorgio Razzoli as Chairman, Daniele Montroni (appointment effective 20 July 2009 to replace Luigi Castagna), Stefano Zolea and Lanfranco Maggioli. At least one member of the Internal Control Committee must have finance and accounting experience, deemed adequate by the Board of Directors at the time of appointment.

The Internal Control Committee met 6 times in 2009; 5 meetings were attended by all of the members while 1 meeting was attended by the majority of members. The Internal Control Committee meetings last, on average, 1 hour.

Functions assigned to the Internal Control Committee

The Internal Control Committee has been assigned the functions indicated under paragraph 8.C.3 of the Code, with the exception of the tasks pursuant to letters c), d) and e) of the afore-mentioned paragraph, which are performed by the Board of Statutory Auditors.

In the meetings held during 2009, the minutes for which were duly recorded, audit evaluations were presented, and the 2010-2012 three-year activity plan was defined.
The Chairman of the Board of Statutory Auditors or another statutory auditor designated by the Chairman attend the committee meetings, and upon the express invitation of the Committee Chairman, the Chairman of the Board of Directors and the Chief Executive Officer may attend.
In performing its duties, the Internal Control Committee has had the opportunity to access the necessary company information and functions for carry out its tasks.

Internal Control System

The most important characteristics of the risk management and internal control systems in relation to the financial information process, pursuant to Art. 123-bis, subsection 2, lett. b), FCA

Foreword

Hera has defined an integrated system of risk management and internal control in connection with the financial information process (hereinafter, in short, also the "System"), pursuant to provisions set forth by Art. 123-bis, subsection 2, lett. b) of the Finance Consolidation Act (hereinafter, in short, also FCA).
This System is aimed at recognizing, measuring, managing and monitoring the main risks that might impair the achievement of the objectives of reliability, accuracy and readiness of financial information.
The Hera System is based on the CoSO Framework, which is taken as reference model as it is internationally acknowledged for the analysis, implementation and evaluation of the risk management and internal control system.
Hera has set up a methodological and operating approach for the management and updating of the administration and accounting system underlying the financial information process.

The risk management and internal control system related to the financial information process

As provided for by Art. 154-bis of FCA, introduced by Law on the Protection of Savings, a Manger in charge of the preparation of the corporate accounting documents (hereinafter, in short, the "Manager in Charge") was included in the Company's corporate governance.
Pursuant to provisions set out in the Articles of Association, the Manager in Charge will remain in office for the period decided by the Board of Directors. The Articles of Association defined, as per law, the requirements of professionalism and the appointment modalities of this office. These requirements shall be checked by the Board of Directors upon appointment.
Within the risk management and internal control system regarding the financial information process, Hera has set up administrative and accounting procedures for preparing the financial statements and the consolidated financial statements, as well as any other financial communication, while taking care of updating and disseminating the same.
In order to recognise risks connected with financial information, the Manager in Charge has started a risk recognition and assessment process related to the Internal Control over Financial Reporting ("ICFR Risk Assessment").

The risk recognition and assessment process is aimed at pinpointing items and figures, which are significant or show special risks, and the related processes connected with them, as well as the relevant Group companies for which the recognition and assessment of the internal control system on financial information is required.
This activity was carried out by using the quality and quantity parameter which led to the assignment of an aggregate risk/significance level for each account/process/entity.
Within the risk recognition and assessment process on financial information, the fraud risk was also taken into account.
The identification of items, accounts, balance-sheet information, processes, relevant companies and the related risk level assigned were used by the Manager in Charge in determining intervention priorities in order to program recognition and assessment activities of the internal control system on financial information.

Given both the outcome of the recognition and assessment of ICFR process and indications set out in the operating plan of the Manager in Charge, the Company has started the analysis of controls at both corporate and process level.

In particular, controls at corporate level were measured by relating them, as regards the financial information as well, to the "soft" components of CoSO Framework (control environment, information and communication and monitoring). Controls at process level are recognised and measured in terms of consistency through the following steps:

- recognition of key controls and measurement of the control framework;
- measurement of the ongoing of key controls by carrying out a testing on identified key controls.

Testing is carried out by internal and external resources, specially appointed for this purposes.

The analysis of the framework and the measurement of the actual ongoing of controls at corporate level, as well as controls on the process permit to recognise, report and measure operating activities, as well as roles and responsibilities, error risks and single control activities.

Moreover, in order to evaluate whether the control system was correctly set up and operating, Hera issued and distributed to all Group companies, a procedure system and guidelines to govern the closure of interim, separate and consolidated financial statements.

These procedures identify the subjects, the organization structures involved in the management, elaboration or transfer of data and information, while identifying roles and operating and control responsibilities and define control and reporting activities.
Within the risk and internal control management system, information flows by the Manager in Charge were also defined.
These flows also provide for a structured and systematic reporting to the main corporate bodies, with the aim at supplying information on operating planning contents and logistics as well as any faults found and related plans and actions defined to solve these inconveniences.

Internal Control Manager

In order to guarantee an adequate internal control system, the Internal Auditing department has been set up; the individual in charge reports directly to the Vice-Chairman.
The individual responsible for Internal Auditing provides a report on his/her activities, on a quarterly basis or whenever he/she considers it necessary, to the Chief Executive Officer, the Chairman of the Board of Directors, the Internal Control Committee and to the Board of Statutory Auditors.
This person is hierarchically independent of the managers of the operational areas and may have direct access to all information useful for performing his/her role.

d) Ethics Committee

Composition and activities

During its meeting of 12 September 2007, the Board of Directors of Hera Spa set out the new text of the "mission" and "values and working principles" of the Group, and consequently approved the updated version of the Code of Ethics that is a "social responsibility" tool of the Company for implementing principles of ethics inspired by good practices of conduct and addressed to pursuing the Company's mission.
Therefore, in implementation of art. 60 of the aforesaid Code, the Board of Directors appointed a special Committee during its meeting of 8 October 2007, whose composition was reappointed on 14 May 2008. This committee is made up of Hera Spa director Giorgio Razzoli, Mario Viviani (appointed on 27 January 2010 to replace Luciano Sita) and an executive who is a social responsibility expert.
The Ethics Committee met 4 times during 2009, and all members attended all the meetings.

Functions of the Ethics Committee

The Ethics Committee has the duty to monitor the communication and implementation of the Code of Ethics.
In meetings held during 2009, the committee analysed any reports submitted to it, verified the status of the communication of the Code of Ethics, and verified the Code of Ethics and organisational model in accordance with Legislative Decree 231/01 in light of the Group's corporate structure.

7. Organisational model pursuant to legislative decree 231/2001

Legislative Decree 231/2001 introduced into Italian legislation the administrative responsibility of legal entities, companies and associations. In particular, the law introduced the penal responsibility of entities for certain offences committed in the interest or to the advantage of the same by persons fulfilling roles of representation, administration or management of the entity or one of its organisational units with financial and operating independence, as well as persons who exercise, even de facto, management and control thereof and, lastly, persons subject to the direction or supervision of one of the above mentioned parties. The important offences are the offences against Public Administration and corporate offences committed in the interest of the companies.
However, arts. 6 and 7 of Legislative Decree 231/2001 provide for a form of exoneration from responsibility where (i) the entity proves that it adopted and efficiently implemented, prior to commitment of the act, organisational, management and control models appropriate to preventing the perpetration of the offences considered by said decree; and (ii) the duty of supervising the effectiveness of and compliance with the models, as well as providing for their revision, is entrusted to a board of the entity vested with autonomous powers of initiative and control.

For this purpose, on 16 February 2004, Hera Spa's Board of Directors approved – and subsequently updated – the organisational, management and control model pursuant to Legislative Decree no. 231/2001 (also in light of the provisions introduced by Law 123/07) with the aim of creating a structured and organic system of procedures and control activities directed at preventing the offences referred to in the aforesaid decree, through identification of activities exposed to the risk of offence and the consequent implementation of procedures therein.
The organisational, management and control model pursuant to Legislative Decree 231/2001 was also adopted by strategically relevant subsidiaries.

Hence the Board of Directors set up the Supervisory Board, reappointed in its composition on 14 May 2008, composed of the Head of Internal Auditing of Hera Spa as Chairman, the Head of Legal and Corporate Affairs of Hera Spa and an external member to which it entrusted the aforesaid duties including the periodic reporting to the corporate boards of Hera Spa on the implementation of the said model.
The Supervisory Board met 6 times in 2009; all meetings were attended by all the members.
Meetings of the Supervisory Board last, on average, 2 hours.
The Supervisory Board updated the 231 protocols that constitute the organisational model. In addition, the Supervisory Board applied and analysed information flows that permit the Board to oversee the effectiveness of and compliance with the models.
In order to carry out the checks and controls, the Supervisory Board drew up a schedule of measures for checking compliance with the protocols adopted.

8. Independent auditing firm

PriceWaterHouse Coopers Advisory S.p.A was assigned the responsibility for performing the accounting audit by the Hera Shareholders' Meeting on 27 April 2006; the term will expire with the approval of the financial statements as at 31 December 2014.

9. Manager in charge of preparing corporate accounting statements

The Board of Directors temporarily appointed Dario Farina - Administration Manager as the Manager in charge of preparing corporate accounting statements.
The Manager in charge of preparing corporate accounting statements has sufficient means and powers to perform his/her role as provided for in art. 154-*bis* of Legislative Decree no. 58 of 24 February 1998.

10. Appointment of statutory auditors

The statutory auditors are appointed by the Shareholders' Meeting on the basis of the list voting system envisaged by art. 26 of the Articles of Association which specifies that (i) the municipalities, provinces and consortia established in accordance with art. 31 of Legislative Decree no. 267/2000 and the associates or the joint-stock companies controlled by the same may present a single list and (ii) the shareholders other than those indicated in point (i) may present lists provided that they represent at least 3% of the shares with voting rights. The lists must be filed at the registered offices at least 20 days prior to the date of the Shareholders' Meeting, together with the declaration of the individual candidates stating they accept the office and certifying that there are no grounds for ineligibility or incompatibility as provided by law, and that they meet the requirements of integrity and professionalism required by law for the members of the Board of Statutory Auditors. Together with the lists, a declaration stating there are no agreements or connections of any kind with other shareholders who have presented other lists, as well as the list of administration and control offices held by the candidates with other companies, must be presented These lists will be made public via publication in three national newspapers, of which two financial newspapers, at least 10 days prior to the Shareholders' Meeting.

In the event of replacement of a standing auditor, the alternate auditor belonging to the same list as the standing auditor will take over the position.

The Articles of Association envisage that the statutory auditors must possess the requirements of integrity and professionalism established by legislation in force.

For the purposes of the provisions of legislation in force concerning the requirements of professionalism of the members of the Board of Statutory Auditors of listed companies, subject matter and business sectors strictly relating to the activities carried out by the Company are intended to mean the subject matters and sectors associated with or relating to the activity exercised by the Company and set forth in art. 4 of the Articles of Association.

The office of statutory auditor is not compatible with that of councillor or alderman of local public authorities, or with that of statutory auditor in more than 3 listed companies with the exclusion of the subsidiaries of the Company pursuant to art. 2359 of the Italian Civil Code and art. 93 of Legislative Decree no. 58/98. In this latter case, the statutory auditor who subsequently exceeds said limit automatically falls from office as statutory auditor of the Company.

Composition and activities of the Board of Statutory Auditors (pursuant to art. 123-bis, section 2, letter d) of the FCA)

The Board of Statutory Auditors consists of three standing auditors and two alternate auditors. The Board of Statutory Auditors, whose term expired with the approval of the financial statements as at 31 December 2007, was reappointed during the Shareholders' Meeting of 29 April 2008 and will remain in office until the approval of the 2010 financial statements.
Pursuant to the provisions contained in art. 10 of the Code, the Board of Statutory Auditors has appraised the correct application of the criteria and the assessment procedures adopted for evaluating the independence of its members.

The current composition of the Board of Statutory Auditors is indicated below, and the personal and professional profiles of each directors is available on the internet site www.gruppoHera.it.

First Name and Surname	Office
Sergio Santi (*)	Chairman
Fernando Lolli	Standing Auditor
Antonio Venturini	Standing Auditor
Stefano Ceccacci (*)	Alternate Auditor
Roberto Picone	Alternate Auditor

(*) appointed by the Shareholders' Meeting on 29 April 2008 on the basis of the only list presented by the minority shareholders in compliance with the provisions of legislation in force.

The Board of Statutory Auditors meet 20 times during 2009; in 17 meetings, all statutory auditors were present, while in 3 meetings nearly all statutory auditors were present. The average duration of the Board of Statutory Auditors' meetings is approximately 1 hour and 20 minutes.

The local authorities holding shares have entered into a Voting Trust and Share Transfer Rules Agreement which governs the method for preparing the list for nominating two standing auditors and one alternate auditor of the Board of Statutory Auditors.
The consultancy agreement, signed on 23 February 2010 by 4 minority shareholders of Hera Spa, provides for nominating members of the Board of Statutory Auditors

The Board of Statutory Auditors oversees the independence of the independent auditing firm, verifying compliance with legislation in effect and, in carrying out its activities, coordinates with Internal Audit and the Internal Control Committee.

11. Relations with shareholders

In order to encourage a more detailed knowledge of the Company on the part of the shareholders, the Company has set up a special structure dedicated to investors relations, managed by Jens Klint Hansen (Investor Relations may be contacted through the telephone number + 39 051 287737 or the email address ir@gruppoHera.it).

12. Shareholders'meetings (pursuant to art. 123-bis, section 2, letter c) of the FCA)

Both the Ordinary and Extraordinary Shareholders' Meetings are called in the cases and manner prescribed by law; they are held either at the registered offices or at another location within Italy.
The Shareholders holding the requirements set forth in legislative provisions in force are entitled to attend the Meeting.

Both the Ordinary and Extraordinary Shareholders' Meetings and relative resolutions are valid, for both the first and second call, if made with the attendance and majorities established by law.
Resolutions from Extraordinary Shareholders' Meetings regarding changes to art. 7 ("*Public majority shareholding*"), 8 ("*Limits to shareholding*"), 14 ("*Validity of the Shareholders' Meeting and rights of veto"*) and 17 ("*Appointment of the Board of Directors*") of the Articles of Association shall be valid if they obtain the favourable vote of at least 3/4 of the share capital participating in the meetings, rounded as necessary.

The Shareholders' Meeting of 29 April 2003 approved the text of Shareholders' Meeting Regulations, which indicate the procedures to be followed in order to permit the orderly and proper functioning of meetings, without prejudice to the right of each shareholder to express his opinion on the matters under discussion.

The Shareholders' Meeting Regulations are published on the Company's website www.gruppoHera.it

Table 1: Structure of the Board of Directors and Committees

Board of Directors											Int. Ctrl. Comm.		Remun. Comm.		Appt. Comm.		Exec. Comm.		Ethics Comm.	
Office	Members	Beg. of term	End of term	List (LA/m)	Exec.	Non-exec.	Indep. pursuant to the Code	Indep. pursuant to FCA	(%) **	No. other offices ***	****	**	****	**	****	**	****	**	****	**
Chairman	Tomaso Tommasi di Vignano	28-apr-08	Appr. 2010 Fin. Stmts.	LA	X		X	X	100%	1							X	100%		
CEO	Maurizio Chiarini	28-apr-08	Appr. 2010 Fin. Stmts.	LA	X		X	X	100%	-							X	100%		
Vice-Chairman	Giorgio Razzoli	28-apr-08	Appr. 2010 Fin. Stmts.	LA		X	X	X	100%	1	X	100%	X	100%			X	100%	X	100%
Dir.	Mara Bernardini (Remun. Comm. since 19-Jul)	28-apr-08	Appr. 2010 Fin. Stmts.	LA		X	X	X	100%	-			X	100%						
Dir.	Filippo Brandolini	28-apr-08	Appr. 2010 Fin. Stmts.	LA		X	X	X	100%	-										
Dir.	Luigi Castagna (Int. Ctrl. Comm. until 20-Jul)	28-apr-08	Appr. 2010 Fin. Stmts.	LA		X	X	X	100%	-	X	100%								
Dir.	Mauro Cavallini	28-apr-08	Appr. 2010 Fin. Stmts.	LA		X	X	X	100%	-										
Dir.	Piero Collina	28-apr-08	Appr. 2010 Fin. Stmts.	m		X	X	X	83%	2			X	100%						
Dir.	Pier Giuseppe Dolcini	28-apr-08	Appr. 2010 Fin. Stmts.	m		X	X	X	92%	-					Not established					
Dir.	Ferruccio Giovanelli	28-apr-08	Appr. 2010 Fin. Stmts.	LA		X	X	X	100%	-										
Dir.	Lanfranco Maggioli	28-apr-08	Appr. 2010 Fin. Stmts.	LA		X	X	X	100%	-	X	83%								
Dir.	Alberto Marri	28-apr-08	Appr. 2010 Fin. Stmts.	m		X	X	X	83%	1										
Dir.	Paolo Trombetti (Remun. Comm. since 12-Nov)	5-Oct-2009	Appr. 2010 Fin. Stmts.	LA		X	X	X	100%	-			X	100%						
Dir.	Daniele Montroni (Int. Ctrl. Comm. since 20-Jul)	20-Jul-2009	Appr. 2010 Fin. Stmts.	LA		X	X	X	100%	-										
Dir.	Roberto Sacchetti	28-apr-08	Appr. 2010 Fin. Stmts.	LA		X	X	X	100%	-										
Dir.	Francesco Sutti (Remun. Comm. until 12-Nov)	28-apr-08	Appr. 2010 Fin. Stmts.	LA		X	X	X	100%	-			X	100%						
Dir.	Bruno Tani	28-apr-08	Appr. 2010 Fin. Stmts.	m		X	X	X	83%	-										
Dir.	Stefano Zolea	28-apr-08	Appr. 2010 Fin. Stmts.	LA		X	X	X	100%	-	X	100%								
--------------DIRECTORS WHO RESIGNED DURING THE REFERENCE YEAR --------------																				
	Nicodemo Montanari (Remun. Comm. until 19-Jul)	28-apr-08	19-Jul-2009	EL		X	X	X	100%	-			X	100%						
	Luciano Sita (Ethics Comm. until 6-Jul)	28-apr-08	6-Jul-2009	EL		X	X	X	67%	-									X	100%
Indicate the quorum required to present lists at the last appointment: lists may be presented by Shareholders who represent at least 1% of the shares with voting rights at the Ordinary Shareholders' Meeting.																				
No. of meetings held during the reference year:				BoD: 12				Int. Ctrl. Comm.: 6		Remun. Comm.: 3			Appt. Comm.: /				Exec. Comm.: 6		Ethics Comm.: 4	

Notes:
** This column indicates either LA or m based on whether the member was appointed by Local Authorities (LA) or a minority (m).*
*** This column indicates the attendance percentage of directors at the respective Board of Directors and committee meetings (no. of meetings attended/no. of meetings held during the effective period in office of the party concerned).*
*** This column indicates the number of offices as director or statutory auditor the party concerned holds in other companies listed on organised markets, including foreign markets, in financial, banking, insurance companies or large enterprises*
**** In this column, an "X" indicates the Board member's participation in the Committee.*

Table 2: Structure of the Board of Statutory Auditors

Office	Members	Beg. of term	End of term	List (M/m)	Independence by the Code	** (%)	No. other offices ***
Chairman	Santi Sergio	28-apr-08	Appr. 2010 Fin. Stmts.	m	X	95%	1
Standing Auditor	Lolli Fernando	28-apr-08	Appr. 2010 Fin. Stmts.	M	X	90%	-
Standing Auditor	Venturini Antonio	28-apr-08	Appr. 2010 Fin. Stmts.	M	X	100%	-
Alternate Auditor	Ceccacci Stefano	28-apr-08	Appr. 2010 Fin. Stmts.	m	X	-	
Alternate Auditor	Picone Roberto	28-apr-08	Appr. 2010 Fin. Stmts.	M	X	-	

Indicate the quorum required to present lists at the last appointment: art. 26 of the Articles of Association specifies that (i) the municipalities, provinces and consortia established in accordance with art. 31 of Legislative Decree no. 267/2000 and associates or the joint-stock companies controlled by the same may present a single list and (ii) the shareholders other than those indicated in point (i) may present lists provided that they represent at least 3% of the shares with voting rights.l

No. of meetings held during the reference year: 20

Notes:

** This column indicates either M or m based on whether the member was elected by the majority (M) or a minority (m).*

*** This column indicates the attendance percentage of statutory auditors at the Board of Statutory Auditor meetings (no. of meetings attended/no. of meetings held during the effective period in office of said party).*

**** This column indicates the number of offices as director or statutory auditor the party concerned holds in accordance with art. 148-bis of the FCA.*

1.12 Performance of the Parent Company in 2009

In application of the national laws concerning the implementation of the EU regulation no. 1606 of 19 July 2002, the financial statements of the parent company Hera Spa were drawn up in accordance with the IAS/IFRS principles.

The chief results attained during the year are presented hereunder.

(millions of €)	2008	2009	Abs. Change	% Change
Revenues	1,881.8	1,393.1	(488.7)	-26.0%
EBITDA	275.3	353.8	78.5	28.5%
EBIT	103.1	177.0	73.9	71.7%
Net profit	84.5	52.4	(32.1)	-38.0%

The interpretation of the results must take into consideration the current economic set-up of the Group, which sees the distribution of the total result between the parent company and the various sales, operational and maintenance companies and specific business units. For this reason, a remarkable increase in the EBITDA and the EBIT was recorded.

A summary is presented below of the reclassified balance sheet and financial position as at 31 December 2009, shown on a comparative basis with the balances as at 31 December 2008:

Analysis of capital employed and sources of financing (millions of €)	31-Dec-08	%	31-Dec-09	%	Abs. Change	% Change
Net fixed assets	3,064.2	104.5%	3,242.9	105.4%	178.7	5.8%
Net working capital	100.2	3.4%	101.2	3.3%	1.0	1.0%
Gross capital employed	**3,164.4**	**107.9%**	**3,344.1**	**108.7%**	**179.7**	**5.7%**
Other provisions	(232.3)	-7.9%	(267.8)	-8.7%	-35.5	15.3%
Net capital employed	**2,932.1**	**100.0%**	**3,076.3**	**100.0%**	**144.2**	**4.9%**
Total Shareholders' Equity	1,465.7	50.0%	1,646.4	53.5%	180.7	12.3%
Net financial indebtedness	1,466.4	50.0%	1,429.9	46.5%	-36.5	-2.5%
Sources of financing	**2,932.1**	**100.0%**	**3,076.3**	**100.0%**	**144.2**	4.9%

The net capital employed increased as at 31 December 2009 by Euro 144.2 million, rising from Euro 2,932.1 million to Euro 3,076.3 million.

Net fixed assets as at 31 December 2009 amount to Euro 3,242.9 million, an increase by Euro 178.7 million compared with 31 December 2008. The change is connected with the investments made, which are more fully described in the Group's report on operations.

Net working capital stands at around Euro 101.2 million.

Other provisions increased from Euro 232.3 million to Euro 267.8 million, resulting in a Euro 35.5 million increase.

The Shareholders' Equity increased from Euro 1,465.7 million to Euro 1646.4 million.

In relation to the aforementioned change, the net financial position went up from Euro 1,466.4 million as at 31 December 2008 to Euro 1,429.9 million at the end of 2009.

1.13 Equity investments of Directors, Statutory Auditors and General Managers (art. 79 of Consob Regulation)

Name and surname	Office held in Hera Spa	Number of shares held as at 31-Dec-2008	Number of shares purchased	Number of shares sold	Number of shares held as at 31-Dec-2009
Tomaso Tommasi di Vignano (1)	Chairman		10.000	-	10.000
Maurizio Chiarini	Chief Executive Officer	-	-	-	-
Giorgio Razzoli	Vice-Chairman	-	-	-	-
Mara Bernardini	Director	-	-	-	-
Filippo Brandolini	Director	-	-	-	-
Luigi Castagna (6)	Director	34.000	-	-	34.000
Mauro Cavallini	Director	-	-	-	-
Piero Collina	Director	-	-	-	-
Pier Giuseppe Dolcini	Director	2.750	-	-	2.750
Ferruccio Giovanelli	Director	-	-	-	-
Lanfranco Maggioli (1)	Director	500	-	-	500
Alberto Marri (7)	Director	4.260.000	1.212.198	1.092.198	4.380.000
Daniele Montroni (in office since 20 July 2009) (1)	Director	2.750 (2)	-	-	2.750
Roberto Sacchetti	Director	-	-	-	-
Francesco Sutti	Director	-	-	-	-
Bruno Tani	Director	35.000	-	-	35.000
Paolo Trombetti (in office since 05 Oct 2009)	Director	- (3)	-	-	-
Stefano Zolea	Director	-	-	-	-
Sergio Santi	Chairman of the Board of Statutory Auditors	-	-	-	-
Fernando Lolli	Member of the Board of Statutory Auditors	-	-	-	-
Antonio Venturini	Member of the Board of Statutory Auditors	-	-	-	-
Roberto Barilli	General Manager of Operations	-	-	-	-
Stefano Venier	General Manager of Development and Market	-	-	-	-
Nicodemo Montanari (in office until19 July 2009)	Director	2.500	5.000	-	7.500 (5)
Luciano Sita (in office until 06 July 2009)	Director	-	-	-	- (4)
Investee company: Hera Spa					

(1) indirect ownership through spouse
(2) shares held as at 20 July 2009, appointment date
(3) shares held as at 5 October 2009, appointment date
(4) shares held as at 6 July 2009, date of termination of appointment
(5) shares held as at 19 July 2009, date of termination of appointment
(6) of the 34,000 shares held, 1,950 are held by spouse
(7) shares held through a third company

1.14 Resolutions concerning the Parent Company's results for the year

The Shareholders' Meeting of Hera Spa:

- having acknowledged the Director's Report on operations;
- having acknowledged the Report of the Statutory Auditors;
- having acknowledged the Report by the Independent Auditing Firm;
- having reviewed the financial statements as at 31 December 2009 which closed with a net profit of Euro 52,411,881.79;

resolves

- to approve the Financial statements for the year as at 31 December 2009 of Hera Spa and the Directors' Report prepared by the Board of Directors;

- to allocate the profit for the year 1 January 2009 - 31 December 2009, amounting to Euro 52,411,881.79 as follows:

    - Euro 2,620,594.09 to legal reserve,
    - Euro 49,791,287.70 to dividend to shareholders

- to integrate the dividend to shareholders in the amount of Euro 39,409,812.62 from the spin-off surplus,Euro 57,384,438.29, generated in 2009 following the corporate transaction conducted on territorial operating companies. Therefore, the total distributable dividend amounts to Euro 89,201,100.32, corresponding to Euro 0.08 per share. The distributable dividend, relating to treasury shares in portfolio as at the registration date, will be set aside for the extraordinary reserve

- to proceed with the dividend payment from 10 June, coupon No. 7 on 7 June 2010.

2
hera group consolidated financial statements
to december 31 2009

2.01 Consolidated financial statements

2.01.01 Income statement

thousands of €	*notes*	*2009*	*2008*
Revenues	4	4.204.204	3.716.336
Change in inventories of finished products and work in progress	4	-1.878	2.604
Other operating income	5	82.755	73.081
of which non recurring		*16.841*	
Use of raw materials and consumables (net of changes in inventories of raw materials and stock)	6	-2.774.865	-2.421.439
Service costs	7	-633.441	-716.045
Personnel costs	8	-352.044	-331.078
Amortisation, depreciation and allowances	9	-276.001	-247.556
Other operating costs	10	-37.444	-43.688
Capitalised costs	11	79.990	248.530
EBIT		**291.276**	**280.745**
Portion of profit (loss) pertaining to associated companies	12	3.921	2.123
Financial income	13	22.967	22.162
Financial charges	13	-140.244	-116.169
of which non recurring		*-12.254*	
Total financial operations		**-113.356**	**-91.884**
Other non-operating costs	14	-15.319	0
Pre-tax profit		**162.601**	**188.861**
Taxes for the period	15	-77.637	-78.597
Net profit for the period		**84.964**	**110.264**
Attributable to:			
Shareholders of the Parent Company		71.052	94.765
Minority shareholders		13.912	15.499
Earnings per share	15.1		
base		0,068	0,092
diluted		0,068	0,092

In compliance with Consob Resolution no. 15519 dated 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate balance sheet format outlined in paragraph 2.02.01 of these consolidated financial statements.

2.01.02 Aggregate income statement

thousands of €	*2009*	*2008*
Net profit / (loss) for the year	**84.964**	**110.264**
- change in reserve for cash flow hedge (net of the tax effect)	-2.736	-21.690
- change in reserve for cash flow hedge of companies carried at equity (net of tax effect)	-220	-693
Total net profit / (loss) for the year	**82.008**	**87.881**
Attributable to:		
Shareholders of the Parent Company	68.222	72.871
Minority shareholders	13.786	15.010

This statement is prepared according to provisions set forth in IAS 1, revised. In particular, this principle allows to highlight some elements included in the Income Statement and which were recorded as a direct matching entry to Shareholders' Equity. It should be specified that these entries are referred to as unrealised profits/losses, as at 31 December 2009, by reason of the fact that they were generated from the measurement of derivative financial instruments used as total hedge.

2.01.03 Balance sheet

thousands of €	notes	*31-dic-2009*	*31-dic-2008*
ASSETS			
Non-current assets			
Tangible fixed assets	16	3.255.712	2.889.134
Intangible fixed assets	17	196.614	197.190
Goodwill and consolidation difference	18	378.574	372.696
Equity investments and securities	19	121.243	98.524
Financial assets	20	10.535	8.597
Deferred tax assets	21	73.596	60.329
Financial instruments – derivatives	22	419	241
		4.036.693	**3.626.711**
Current assets			
Inventories	23	47.068	60.735
Trade receivables	24	1.137.076	1.161.295
Contract work in progress	25	19.904	21.704
Financial assets	26	21.790	7.655
Financial instruments – derivatives	22	50.199	300.387
Other current assets	27	178.892	133.625
Cash and cash equivalents	28	350.332	193.635
		1.805.261	**1.879.036**
TOTAL ASSETS		**5.841.954**	**5.505.747**

cont.d

thousands of €	notes	31-dic-2009	31-dic-2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	29	1.115.014	1.032.738
- Reserve for treasury shares at par value		-2.893	-2.300
Reserves		472.106	413.301
Reserve for treasury shares exceeding par value		-1.739	-1.529
Reserve for derivative instruments valued at fair value		-12.995	-16.125
Retained earnings (losses)		2.061	4.383
Profits (losses) for the period		71.052	94.765
Group Shareholders' Equity		**1.642.606**	**1.525.233**
Minority interest		58.125	53.892
Total Shareholders' Equity		**1.700.731**	**1.579.125**
Non-current liabilities			
Loans - maturing beyond the next year	30	2.144.857	1.560.658
Employee leaving indemnity and other benefits	31	101.017	105.788
Provisions for risks and charges	32	186.200	193.789
Deferred tax liabilities	33	132.801	121.454
Financial leasing payables - maturing beyond the next year	34	9.379	11.175
Financial instruments – derivatives	22	40.394	23.571
		2.614.648	**2.016.435**
Current liabilities			
Banks and other borrowings - maturing within the next year	30	113.039	204.818
Financial leasing payables - maturing within the next year	34	7.148	4.737
Trade payables	35	1.048.214	1.084.427
Income tax liabilities	36	80.213	119.173
Other current liabilities	37	223.328	201.723
Financial instruments – derivatives	22	54.633	295.309
		1.526.575	**1.910.187**
TOTAL LIABILITIES		**4.141.223**	**3.926.622**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5.841.954**	**5.505.747**

In compliance with Consob Resolution no. 15519 dated 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate balance sheet format outlined in paragraph 2.02.02 of these consolidated financial statements

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2.01.04 Cash flow statement

Consolidated Cash Flow Statement (*)	31-Dec-09			31-Dec-08		
Operations						
Cash flow						
Net profit pertaining to Group and minority shareholders	84.964			110.264		
Depreciation and writedowns of tangible fixed assets	177.900			155.699		
Depreciation and writedowns of intangible fixed assets	46.614			41.144		
Total cash flow	**309.478**			**307.107**		
Changes in prepaid and deferred taxes	(16.708)			(15.255)		
Employee leaving indemnity and other benefits:						
Provisions / (uses)	(5.400)			(1.328)		
Provisions for risks and charges:						
Provisions / (uses)	2.997			(3.988)		
Total cash flow before changes in net working capital	**290.367**			**286.536**		
Working capital						
Change in trade receivables	10.398			(110.044)		
Changes in inventories	15.953			(12.818)		
Change in other current assets	(41.582)			70.087		
Change in trade payables	(33.161)			156.136		
Change in tax liabilities	(40.900)			51.426		
Change in other current liabilities	18.240			(8.968)		
Change in financial instruments - derivatives	9.512			(5.277)		
Change in working capital	**(61.540)**			**140.542**		
Change in financial instruments - non-current derivatives	**19.775**			**10.534**		
Liquidity generated by operations		**248.602**			**437.612** a)	
Investment activities						
Disinvestment/(investment) in tangible assets, net of net investments/disinvestments	(354.601)			(406.106)		
Disinvestment/(investment) in intangible assets, net of net investments/disinvestments	(32.582)			(21.667)		
Goodwill	(14)			(2.118)		
Investments in equity investments, net of disinvestments	(37.991)			(6.021)		
(Increase) / decrease in other investments	(16.073)			5.764		
Liquidity generated / (absorbed) by investment activities		**(441.261)**			**(430.148)** b)	
Financing activities						
Medium/long-term loans	563.959			146.229		
Change in shareholders' equity items	(18.823)			(1.564)		
Change in short-term bank indebtedness	(96.028)			(69.727)		
Dividends pid out	(94.540)			(92.922)		
Change in financial leasing payables	(5.212)			(6.859)		
Liquidity generated / (absorbed) by financing activities		**349.356**			**(24.843)** c)	
			156.697 (a+b+c)			**(17.379) (a+b+c)**
Change in net financial position						
Cash and cash equivalents at the beginning of the year	193.635			211.014		
Cash and cash equivalents at the end of the year	350.332			193.635		
	156.697			**(17.379)**		

(*) Pursuant to Cosob resolution no. 15519 of 27 July 2006, the effects of relations with related parties on the Cash Flow Statement are disclosed in the special cash flow statement format shown in the following pages and are further described in paragraph 2.02.03 of these consolidated financial statements.

2.01.05 Statement of changes in shareholders' equity

	Share capital	Reserves	Reserves for derivative instruments at fair value	Profit for the year	Shareholders' Equity	Minority interest	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				94.765	**94.765**	15.499	**110.264**
Other elements of the total profit/loss as at 31 December 2008:							
change in the fair value of derivatives for the period		-711					
change in the fair value of derivatives for the period. Companies valued at equity.		-693	-20.490		**-21.183**	-489	**-21.672**
Total profit for the period		**-1.404**	**-20.490**	**94.765**	**73.582**	**15.010**	**88.592**
treasury shares in portfolio	-1.683	-920			**-2.603**		**-2.603**
capital increase due to merger of Sat - Shareholders' Meeting held on 16 October 2007	14.540	30.288			**44.828**		**44.828**
capital increase due to the conferral of assets in kind - Shareholders Meeting held on 16 October 2007	1.446	3.015			**4.461**	100	**4.561**
change in scope of consolidation		-3.834			**-3.834**	2.489	**-1.345**
other movements		128			**128**	5	**133**
Allocation of 2007 profit:							
- dividends paid out				-82.518	**-82.518**	-10.404	**-92.922**
- allocation to retained earnings reserve		4.666		-4.666	**0**		**0**
- allocation to other reserves		9.062		-9.062	**0**		**0**
Balance as at 31 December 2008	**1.030.438**	**416.155**	**-16.125**	**94.765**	**1.525.944**	**53.892**	**1.579.836**

	Share capital	Reserves	Reserves for derivative instruments at fair value	Profit for the year	Shareholders' Equity	Minority interest	Total
Balance as at 31 December 2008	**1.030.438**	**416.155**	**-16.125**	**94.765**	**1.525.233**	**53.892**	**1.579.125**
Profit for the period				71.052	**71.052**	13.912	**84.964**
Other elements of the total profit/loss as at 31 December 2009:							
change in the fair value of derivatives for the period		-5.740	3.130		**-2.610**	-126	**-2.736**
change in the fair value of derivatives for the period. Companies valued at equity.		-220			**-220**		**-220**
Total profit for the period		**-5.960**	**3.130**	**71.052**	**68.222**	**13.786**	**82.008**
treasury shares in portfolio	-593	-210			**-803**		**-803**
capital increase due to the conferral of assets in kind - Shareholders Meeting held on 21 October 2007	82.276	48.402			**130.678**		**130.678**
change in perimeter		724			**724**	-5.859	**-5.135**
change in scope of consolidation		1.034			**1.034**	8.376	**9.410**
other movements		8			**8**	-20	**-12**
Allocation of 2008 profit:							
- dividends paid out		-2.322		-80.168	**-82.490**	-12.050	**-94.540**
- allocation to retained earnings reserve		10.242		-10.242	**0**		**0**
- allocation to other reserves		4.355		-4.355	**0**		**0**
Balance as at 31 December 2009	**1.112.121**	**472.428**	**-12.995**	**71.052**	**1.642.606**	**58.125**	**1.700.731**

2.02 Consolidated financial statements in accordance with resolution 15519 of 27 July 2006

2.02.01 Income statement

			of which Related Parties							of which Related Parties					
thousands of €	Notes	2009	A	B	C	D	Total	%	2.008	A	B	C	D	Total	%
Income Statement															
Revenues	4	4.204.204	20	22.964	87.716	9.449	120.149	*2,9*	3.716.336	129	31.459	78.636	3.140	113.364	*3,5*
Change in inventories of finished products and work in progress	4	-1.878							2.604						
Other operating revenues	5	82.755	82	569	236	152	1.039	*1,3*	73.081	728	4.388	60	73	5.249	*7,2*
of which non recurring		*16.841*													
Use of raw materials and consumables (net of changes in inventories of raw materials and stock)	6	-2.774.865	0	-36.889	0	-33.392	-70.281	*2,5*	-2.421.439	-1	-79.836	-706	-22.053	-102.596	*5,5*
Service costs	7	-633.441	-959	-9.123	-10.733	-42.746	-63.561	*10,0*	-716.045	-2.164	-23.782	-12.083	-38.378	-76.407	*8,9*
Personnel costs	8	-352.044							-331.078						
Amortisation, depreciation and allowances	9	-276.001							-247.556						
Other operating costs	10	-37.444	-54	-3	-1.046	-975	-2.078	*5,5*	-43.688	-2	-5.857	-890	-514	-7.263	*14,1*
Capitalised costs	11	79.990							248.530						
EBIT		**291.276**	**-911**	**-22.482**	**76.173**	**-67.512**	**-14.732**		**280.745**	**-1.310**	**-73.628**	**65.017**	**-57.732**	**-67.653**	
Portion of profit (loss) pertaining to associated companies	12	3.921		431			431	*11,0*	2.123		2.123			2.123	*100,0*
Financial income	13	22.967	71	453		5.087	5.611	*24,4*	22.162		1.322		4.424	5.746	*9,3*
Financial charges	13	-140.244				-1	-1	*0,0*	-116.169	-385		-666	-144	-1.195	*0,5*
of which non recurring		*-12.254*													
Total financial operations		**-113.356**	**71**	**884**	**0**	**5.086**	**6.041**		**-91.884**	**-385**	**3.445**	**-666**	**4.280**	**6.674**	
Other non-operating costs	14	-15.319													
Pre-tax profit		**162.601**	**-840**	**-21.598**	**76.173**	**-62.426**	**-8.691**		**188.861**	**-1.695**	**-70.183**	**64.351**	**-53.452**	**-60.979**	
Taxes for the period	15	-77.637							-78.597						
Net profit for the year		**84.964**	**-840**	**-21.598**	**76.173**	**-62.426**	**-8.691**		**110.264**	**-1.695**	**-70.183**	**64.351**	**-53.452**	**-60.979**	
Attributable to:															
Shareholders of the Parent Company		71.052							94.765						
Minority shareholders		13.912							15.499						
Earnings per share	15.1														
base		0,068							0,092						
diluted		0,068							0,092						

Key of headings of related parties columns:

A subsidiaries

B associated companies

C related companies with significant influence

D other related parties

2.02.02 Balance sheet

			of which Related Parties							of which Related Parties					
thousands of €	Notes	40.178	A	B	C	D	Total	%	39.813	A	B	C	D	Total	%
ASSETS															
Non-current assets															
Intangible fixed assets	16	3.255.712					-		2.889.134						
Intangible fixed assets	17	196.614					-		197.190						
Goodwill and consolidation difference	18	378.574					-		372.696						
Equity investments and securities	19	121.243	182	86.907		30.328	117.417	*96,8*	98.524	16	67.967		29.288	97.271	*98,7*
Financial assets	20	10.535		10.108			10.108	*95,9*	8.597		8.466			8.466	*98,5*
Deferred tax assets	21	73.596					-		60.329						
Financial instruments – derivatives	22	419					-		241						
		4.036.693	**182**	**97.015**	**0**	**30.328**	**127.525**		**3.626.711**	**16**	**76.433**		**29.288**	**105.737**	
Current assets															
Inventories	23	47.068					-		60.735						
Trade receivables	24	1.137.076	119	13.002	14.710	11.053	38.884	*3,4*	1.161.295	741	38.561	12.506	13.371	65.179	*5,6*
Contract work in progress	25	19.904					-		21.704						
Financial assets	26	21.790		13.384			13.384	*61,4*	7.655						
Financial instruments – derivatives	22	50.199					-		300.387						
Other current assets	27	178.892		5	445	17.336	17.786	*9,9*	133.625	182	-1	879	17.510	18.570	*13,9*
Cash and cash equivalents	28	350.332					-		193.635						
		1.805.261	**119**	**26.391**	**15.155**	**28.389**	**70.054**		**1.879.036**	**923**	**38.560**	**13.385**	**30.881**	**83.749**	
TOTAL ASSETS		**5.841.954**	**301**	**123.406**	**15.155**	**58.717**	**197.579**		**5.505.747**	**939**	**114.993**	**13.385**	**60.169**	**189.486**	

			of which Related Parties							of which Related Parties					
thousands of €	Notes	40.178	A	B	C	D	Total	%	39.813	A	B	C	D	Total	%
SHAREHOLDERS' EQUITY AND LIABILITIES															
Share capital and reserves	29														
Share capital		1.115.014							1.032.738						
- Reserve for treasury shares at par value		-2.893							-2.300						
Reserves		472.106							413.301						
- Reserve for treasury shares exceeding the par value		-1.739							-1.529						
Reserve for derivative instruments at fair value		-12.995							-16.125						
Retained earnings (losses)		2.061							4.383						
Profits (losses) for the period		71.052							94.765						
Group Shareholders' Equity		**1.642.606**							**1.525.233**						
Minority interest		58.125							53.892						
Total Shareholders' Equity		**1.700.731**							**1.579.125**						
Non-current liabilities															
Loans - maturing beyond the next year	30	2.144.857							1.560.658						
Employee leaving indemnity and other benefits	31	101.017							105.788						
Provisions for risks and charges	32	186.200							193.789						
Deferred tax liabilities	33	132.801							121.454						
Financial leasing payables - maturing beyond the next year	24	9.379							11.175						
Financial instruments – derivatives	22	40.394							23.571						
		2.614.648							**2.016.435**						
Current liabilities															
Banks and other borrowings - maturing within the next year	30	113.039							204.818						
Financial leasing payables - maturing beyond the next year	34	7.148							4.737						
Trade payables	35	1.048.214	175	17.010	9.453	22.453	49.091	*4,7*	1.084.427	499	36.115	7.886	15.895	60.395	*5,6*
Income tax liabilities	36	80.213							119.173						
Other current liabilities	37	223.328		96	20	100	216	*0,1*	201.723	1		1.598	3.306	4.905	*2,4*
Financial instruments – derivatives	22	54.633							295.309						
		1.526.575	**175**	**17.106**	**9.473**	**22.553**	**49.307**		**1.910.187**	**500**	**36.115**	**9.484**	**19.201**	**65.300**	
Total liabilities		**4.141.223**	**175**	**17.106**	**9.473**	**22.553**	**49.307**		**3.926.622**	**500**	**36.115**	**9.484**	**19.201**	**65.300**	
SHAREHOLDERS' EQUITY AND LIABILITIES		**5.841.954**	**175**	**17.106**	**9.473**	**22.553**	**49.307**		**5.505.747**	**500**	**36.115**	**9.484**	**19.201**	**65.300**	

Key of headings of related parties columns:

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

2.02.03 Cash flow statement

	31-Dec-2009			of which related parties
Operations				
Cash flow				
Net profit pertaining to Group and minority shareholders	84.964			
Depreciation and writedowns of tangible fixed assets	177.900			
Amortisation and writedowns of intangible fixed assets	46.614			
Total cash flow	**309.478**			
Changes in prepaid and deferred taxes	(16.708)			
Employee leaving indemnity and other benefits:				
Provisions / (uses)	(5.400)			
Provisions for risks and charges:				
Provisions / (uses)	2.997			
Total cash flow before changes in net working capital	**290.367**			
Working capital				
Change in trade receivables	10.398			(2.163)
Changes in inventories	15.953			
Change in other current assets	(41.582)			784
Change in trade payables	(33.161)			5.647
Change in tax liabilities	(40.900)			
Change in other current liabilities	18.240			(4.689)
Change in financial instruments - derivatives	9.512			
Change in working capital	**(61.540)**			
Change in financial instruments - non-current derivatives	**19.775**			
Liquidity generated by operations		**248.602**		
Investment activities				
Disinvestment/(investment) in tangible assets, net of net investments/disinvestments	(354.601)			
Disinvestment/(investment) in intangible assets, net of net investments/disinvestments	(32.582)			
Goodwill	(14)			
Investments in equity investments, net of disinvestments	(37.991)			(35.418)
(Increase) / decrease in other investments	(16.073)			(152)
Liquidity generated / (absorbed) by investment activities		**(441.261)**		
Financing activities				
Medium/long-term loans	563.959			
Change in shareholders' equity items	(18.823)			
Change in short-term bank indebtedness	(96.028)			
Dividends paid out	(94.540)			(21.315)
Change in financial leasing payables	(5.212)			
Liquidity generated / (absorbed) by financing activities		**349.356**		
			156.697	
			(a+b+c)	
Change in net financial position				
Cash and cash equivalents at the beginning of the year	193.635			
Cash and cash equivalents at the end of the year	350.332			
	156.697			

2.03 Explanatory notes

2.03.01 Consolidated explanatory notes

Hera Spa (the company) is a joint-stock company established in Italy and enrolled in the Bologna Companies' Register. The addresses of the registered offices and the locations where the main activities of the Group are carried out are indicated in the introduction to the consolidated financial statement dossier. The main activities of the Company and its subsidiaries (the Group) are described in the report on operations.

The 2009 consolidated financial statements, comprised of the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholders' equity and explanatory notes, have been prepared in application of Regulation (EC) No. 1606/2002 of 19 July 2002, in observance of the IAS/IFRS International Accounting Standards (hereinafter the IFRS) approved by the European Commission, supplemented by the relevant interpretations (Standing Interpretations Committee – SIC and International Financial Reporting Interpretations Committee – IFRIC) issued by the International Accounting Standards Board (IASB), as well as the provisions enacted in implementing article 9 of Italian Legislative Decree no. 38/2005.

Sufficient obligatory information to present a true and fair view of the Group's financial and equity position and of the economic result for the year has been provided.

Information on the operations of the company and on significant events after year-end is provided in the Report on Operations.

The figures in these financial statements are comparable with the same balances of the previous financial year. In the case of reclassifications, made with the purpose of a more exhaustive exposition, the notes commenting on the single items provide all necessary information. It is worth noting that non-recurrent cost and revenue items were highlighted.

In comparing the single items of the income statement and balance sheet, it should take into account the changes in the consolidation scope indicated in the specific paragraph, in addition to the company's capital increase. Namely, it is noted that Hera Spa's shareholders' meeting, held on 21 October 2009, resolved a capital increase, from Euro 1,032,737,702 to Euro 1,115,013,754, and therefore for Euro 82,276,052, by means of the issue of 82,276,052 ordinary shares, reserved for the shareholders: Municipality of Ferrara, Holding Ferrara Servizi Spa, Con.Ami and Area Asset Spa. These shareholders transferred their shareholding in Agea Reti Srl, for the portion respectively held by the Municipality of Ferrara and the Holding Ferrara Servizi Srl, as well as the business segments relating to the gas distribution and district heating networks held by Con.Ami and the gas distribution held by Area Asset Spa. The legal efficacy of this transaction was established as from 1 December 2009. Except for the transfer of Agea Reti Srl, the transaction was accounted for according to provisions set out by IFRS 3.

The figures related to the above capital increase operation are shown hereunder:

€ / 000	Transfer of Gas Con.Ami.	Transfer of TLR Con.Ami.	Transfer of Gas Area Asset	Transfer of Agea Reti	Total aset transfer
Acquired net asset fair value	**44,491**	**19,446**	**52,815**	**14,793**	**131,545**
Fair value of issued shares	44,272	19,350	52,559	13,026	129,207
Cash disbursement					-
Related costs	219	96	256	66	637
Total cost of acquisition	**44,491**	**19,446**	**52,815**	**13,092**	**129,844**
Effects deriving from acquisition:					
- record of consilidation difference					
- difference recorded in the consolidated financial statement				*1,701*	*1,701*

The general principle adopted in preparing these consolidated financial statements is the cost principle, except for the financial assets and liabilities (including the derivative instruments), which were measured at fair value.

In drawing up the consolidated financial statements, management was required to use estimates; the major areas characterised by valuations and assumptions of particular significance together with those having notable effects on the situations presented are provided in the paragraph "Significant estimates and valuations".

These consolidated financial statements, drawn up according to the IAS/IFRS principles, have been audited by PricewaterhouseCoopers Spa.

These consolidated financial statements as at 31 December 2009 were drawn up by the board of directors and approved by the same at the meeting held 29 March 2010, which approved their disclosure.

Consolidated Financial Statements

The formats used are the same as those applied for the consolidated financial statements as at 31 December 2008, except for amendments made by IAS 1 Revised. A decremental format has been used for the income statement, with individual items analysed by type. We believe that this type of disclosure, which is also used by our major competitors, to be in line with international practice and the best representation of company results. It is worth noting that item “other operating costs", referring to taxes paid in connection with the “tax moratorium” was added for a more comprehensive information. To this purpose, reference is made to note 14) of the income statement. The balance sheet format makes the distinction between assets and liabilities, current and non-current. The cash flow statement was drawn up using the indirect method in accordance with IAS 7. Moreover, referring to Consob resolution no. 15519 of 27 July 2006, specific supplementary formats of income statement, balance sheet and cash flow statement have been included, while highlighting the most significant relations with related parties, in order not to alter the overall clarity of the balance sheet tables. Statement of comprehensive income: IAS 1, Revised, on the presentation of the balance sheet requires that special reference is made to income/charges of transactions made with “not shareholders” in the income statement. These transactions were previously recorded directly under changes in shareholders’ equity reserves. All changes under evaluation (in our case the values related to the effective part of profits and losses on hedging instruments of cash flows - "cash flow hedge”) shall be highlighted in one single statement, together with the consolidated income statement, or in a separate statement. Changes shall be reported separately in the statement of changes in consolidated shareholders’ equity. The Group applied this principle starting on 1 January 2009, highlighting changes in a separate statement (statement of comprehensive income) with respect to the consolidated income statement.

The consolidated balance sheet and income statement schedules and the information included in the explanatory notes are expressed in thousands of Euro, unless otherwise indicated.

Scope of consolidation

The consolidated financial statements as at 31 December 2009 include the financial statements of the parent company Hera Spa and those of 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 activities.

Small-scale subsidiaries and those in which the exercise of voting rights is subject to substantial and long-term restrictions are excluded from line-by-line consolidation and valued at cost.

Equity investments comprising fixed assets in large-scale associated companies are valued under the equity method. Those of an insignificant size are instead carried at cost. Subsidiaries and associated companies that are not consolidated/valuated at equity are reported in note no. 19.

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 in the scope of consolidation

Subsidiary companies

Companies which entered the scope of consolidation in 2009	Companies which left the scope of consolidation in 2009	Note
Acantho Spa		Consolidated line-by-line, see note 19, Equity investments
Agea Reti Srl		Consolidated line-by-line, see note 19, Equity investments
Satcom Spa		Consolidated line-by-line, see note 19, Equity investments
MMS Ecologica Srl		Consolidated line-by-line in the Marche Multiservizi Group
	Ecosfera Spa	Merged via incorporation within Akron Spa
	Gastecnica Galliera Srl	Merged via incorporation within Hera Spa
	Hera Bologna Srl	Spun-off as of 31-Dec-2009
	Hera Ferrara Srl	Spun-off as of 31-Dec-2009
	Hera Forlì-Cesena Srl	Spun-off as of 31-Dec-2009
	Hera Imola-Faenza Srl	Spun-off as of 31-Dec-2009
	Hera Modena Srl	Spun-off as of 31-Dec-2009
	Hera Ravenna Srl	Spun-off as of 31-Dec-2009
	Hera Rimini Srl	Spun-off as of 31-Dec-2009
	Here Rete Modena Srl	Merged via incorporation within Hera Spa on 15 July 2009 with retroactive effect as of 1-Jan-2009
	Ingenia Srl	Subsidiary in liquidation, see note 19, Equity investments
	Recupera Srl	Merged via incorporation within Herambiente Srl on 1 July 2009 with retroactive effect as of 1-Jan-2009

As regards the companies that are no longer consolidated in 2009, it is noted that actually they are not out of the scope of consolidation, except for Ingenia Srl. In particular :

- Ecosfera Spa: on 3 June 2009, the entire equity investment held by Hera Spa was sold to the company Akron Spa. As at 31 December 2009, with retroactive effect as at 1 January 2009, the company was merged by incorporation within parent company Akron Spa;
- Gastecnica Galliera Srl and Hera Rete Modena Srl: on 15 July 2009, these companies were both merged via incorporation within Hera Spa, with accounting effects backdated to 1 January 2009;
- Recupera Srl: on 1 July 2009, the company was merged by incorporation within Herambiente Srl, with retroactive effect as from 1 January 2009;
- Territorial operating companies: Hera Bologna Srl, Hera Ferrara Srl, Hera Forlì Cesena Srl, Hera Imola Faenza Srl, Hera Modena Srl, Hera Ravenna Srl and Hera Rimini Srl; on 31 December 2009, they were subject to a total spin-off to the beneficiaries Hera Spa and Hera Comm Srl, respectively the Management segment and the Customer segment. The accounting effects were backdated to 1 January 2009.

- On 25 November 2009, the company MMS Ecologica Srl, 100% owned by Sis Spa, investee in the Marche Multiservizi Group. On 18 November 2009, an increase in share capital with contribution in kind of the business unit "collection and disposal of waste at the landfill of Ca' Mascio" was made by the sole shareholder, for a total value of Euro 95 thousand. On 22 December 2009, the entire shareholding of MMS Ecologica Srl is sold by Sis Spa to Marche Multiservizi Spa. The company is therefore consolidated through the consolidation of Marche Multiservizi Spa.

Associated companies

New companies carried at equity	Companies no longer carried at equity	Note
Aimag Spa		25% of the equity investment acquired, see note 19 Equity investments
	Agess Scarl	Deconsolidated, classified under other companies
	Pri.Ge.A.S. S.r.l.	Merged by incorporation into Hera Spa
	Agea Reti Srl	Consolidated line-by-line, see note 19 Equity investments
	Acantho Spa	Consolidated line-by-line, see note 19 Equity investments
	Satcom Spa	Consolidated line-by-line, see note 19 Equity investments

On 1 December 2008, the Shareholders' meeting of Agess Scral resolved a share capital increase for new shareholders. Following this transaction, in 2009 the interest held by Hera Spa decreased from 21.44% to 17.19%. The remarkable loss of influence over the company led to the non-evaluation to equity of the same and its classification under item "other companies".

On 8 May 2009, Hera Spa purchased 51% of the share capital in the investee Pri.Ge.A.S. Srl, from the Municipality of Prignano sul Secchia, while becoming its sole shareholder. At 31 December 2009, and with retroactive date as of 1 January 2009, the company was merged by incorporation in Hera Spa. The effects of this transaction are not remarkable within the scope of consolidation.

Changes in the scope of consolidation

On 15 January 2009, Hera Spa purchased 40% equity investment from Engineering Spa in Famula OnLine Spa; the equity investment therefore increased from 60% to 100%. The outlay amounted to Euro 5,166 thousand and did not generate any significant effects on the equity, other than the cancellation of the minority interests.

On 23 December 2009, Hera Spa acquired 5% of the share capital of Sotris Spa from the minority shareholder Petrokan Spa. The transaction occurred within an exchange that caused the sale to Petrokan Spa of the equity investment held in Ambiente Mare Spa, against the transfer of 5% in Sotris Spa and a cash amount of Euro 60 thousand. The Group holding rose from 70% to 75% (of which 70% held indirectly by the parent company Hera Spa via the subsidiary Herambiente Srl).

With effect as at 1 July 2009, the company Marche Multiservizi Spa increased its share capital by means of a contribution in kind by the new shareholder Comunità Montana Alto e Medio Metauro of the business segment pertaining to the landfill and composting plants, for a total value of Euro 2,950 thousand. Further to this transaction, Hera Spa's holding decreased from 41.87% to 40.64%. The dominant influence exercised over the company remains unchanged. This transaction led to the registration of the goodwill commented on in note 18 in assets. The impacts of this transaction on the Group's shareholders' equity are reflected among the changes in the scope of consolidation within the changes in shareholders' equity. The decrease in the holding is also reflected in the equity investment held by Marche Multiservizi Spa: Aspes Gas Srl, Acque Srl and Sis Società Intercomunale di Servizi Spa; the equity effects of this transaction are not remarkable.

Evaluation criteria and consolidation principles

The financial statements used for the preparation of the consolidated balance sheet and income statement schedules were those which the companies included within the scope of consolidation reclassified and adjusted (on the basis of specific instructions issued by the parent company) for the purposes of consistency with the accounting standards and principles of the Hera Group. With regard to associated companies, adjustments to shareholders' equity values were considered in order to adapt them to IAS/IFRS principles.

When drawing up the consolidated balance sheet and income statement schedules, the assets and liabilities as well as the income and expenses of the consolidated companies are included on a line-by-line basis. However, the receivables and payables, income and expenses, gains and losses resulting from operations carried out between companies included in the scope of consolidation have been eliminated. The book value of the equity investments is eliminated against the corresponding portion of the subsidiary's shareholders' equity.

On initial consolidation, the positive difference between the book value of the equity investments and the fair value of the assets and liabilities acquired, was allocated to the asset and liability items and on a residual basis to goodwill. The negative difference was immediately recorded in the income statement, as illustrated in the following section "business combinations". This negative difference is recorded in the consolidation reserve only if it related to acquisitions prior to 31 March 2004.

The total of capital and reserves of subsidiaries pertaining to minority interests is recorded within shareholders' equity in the account "minority interests in capital and reserves". The portion of the consolidated result relating to minority interests is recorded in the account "Net profit (loss) for the period pertaining to minority interests".

Dividends recorded under financial income of the consolidated companies are eliminated during the consolidation process of the relevant companies, against the retained earnings reserves under shareholders' equity. Dividends received from companies measured with the equity method reduce the book value of the investment. Dividends declared by companies assessed at cost remained accounted for under financial income.

The valuation of the financial statement items has been carried out on the basis of the general criteria of prudence and accruals, with a view to the business as a going-concern. For the purposes of the accounting entries, priority is give to the economic substance of the transactions rather than their legal form.

The same standards and policies applied in the previous accounting period were followed in preparing these consolidated financial statements, taking into account the new accounting standards illustrated in the specific section "accounting standards, amendments and interpretations applicable from 1 January 2009". As far as the income statement is concerned, the costs and revenues stated include those recorded at year-end, which have a balancing entry in the balance sheet. In this regard, income is included only if realised by said year-end date, while account has been taken of the risks and losses even if known after said date.

The criteria and principles adopted are outlined here below.

Tangible assets – Tangible assets are recorded at acquisition or production cost, including accessory costs, or at the value based on expert appraisals of the business assets, if relating to purchased companies, net of the related accumulated depreciation and any impairment. The production cost includes the portion of the direct and indirect costs reasonably attributable to the asset (such as: personnel costs, transport, customs duty, costs for the preparation of the installation location, final test & inspection costs, notarial fees, land registry expenses). Cost includes any professional fees and, for certain assets, capitalised financial charges up to the moment the asset enters into service. The cost also comprises the costs for reclamation of the site on which the tangible fixed asset exists, if it complies with the provisions of IAS 37.

Ordinary maintenance costs are charged in full to the income statement. Improvement, modernisation and transformation costs which increase the value of the assets, are charged to the balance sheet assets concerned.

The book value of tangible fixed assets is subject to assessment so as to identify any losses in value, and also when events or changes in circumstances indicate that the book value cannot be recovered (for details, see the section "losses in value – impairment").

Depreciation starts to be applied when the assets are ready for use. Work in progress includes costs relating to tangible fixed assets for which the process of economic use has not yet commenced. The tangible fixed assets are systematically depreciated in each accounting period using the economic-technical rates considered representative of the residual possible usefulness of the assets. The following tables contain the depreciation rates taken into account for the depreciation of the assets.

General services	min %	max %
Land	0	0
Buildings	1.5	3
Property complex - Via Razzaboni Mo		
- land	0	0
- buildings	1 - 1.25	2 - 2.5
- external building works	1.66	3.33
Light construction	5	10
General plant	7.5	15
Equipment	5	10
Office furniture and machines	6	12
EDP machines	10	20
Vehicles and internal means of transport	10	20
Automobiles	12.5	25
Measurement and laboratory equipment	5	10
Remote control	10	20
- remote control apparatus (RTU)	5	10
- supervision centres	4.16	8.33
- data transmission network (telephone cable)	2.5	5
- data transmission network (fibre optics)	3.33	6.67
Public lighting	4	8
- type 1 centre	2	4
- type 2 centre	1.25	2.5
- lighting unit (multiple points)	1.25	2.5
- lighting unit (single points/columns)	2	4
- flux controllers	1.25	2.5
- distribution network	1.43	2.86
- votive lighting	1.66	3.33
Electricity substations	3.5	7

Purification services	min %	max %
Land	-	-
Buildings/civil works	1.5	3
Buildings IDAR construction sections	1.5	3
General and specific plant	7.5	15
Specific IDAR plant	5	10
Specific ITFI plant	5	10
Specific plant	5	10
- Purification plant/Civil works	1.66	3.33
- Purification plant	3.33	6.67
Lifting plant	6	12
Laboratory equipment	5	10
Network	2.5	5
Electricity substations	3.5	7
Equipment	5	10
Furniture	6	12

District heating and gas service	min %	max %
Land	-	-
1st stage pressure reducer stations - Abstraction		
- Buildings	2.5	5.5
- General plant	7.5	15
- Specific plant	4	10
2nd stage pressure reducer stations - district - specific plant-user stations	5	10
User transformers - Specific plant	4	8
Distribution network in steel	2.22	8
Distribution network in cast iron or spheroidal cast iron	2	8
Distribution network in PE or PVC	2.86	8
Outlets/Intakes	2.5	8
Meters	4	10
Cathodic protection	4	8
Electricity substations - Specific plant	3.5	7
Cogeneration and district heating:		
- Production - Buildings	2.5	5.5
- Production - General plant	4.5	9
- Production - Specific plant	4.5	9
Distribution network	2.86	8
Meters	2.5	5
Heat exchange units	4.5	9
- Boilers	1.43	2.86
- Heat exchangers	2.5	5
- Expansion tanks	1.66	3.33
Pumping stations		
- Electricity substations	2	4
- Generators	2.75	4.55
- Pumps	3.33	6.67
- Electricity substations	3.5	7
Equipment	5	10

Water service	min %	max %
Land	-	-
Buildings/Civil works	1.75	3.5
Wells		
- Buildings/Civil works	1.75	3.5
- General and specific plant	1.25	2.5
- Disinfection plant	2.5	5
- Pumps	5	10
- Building works	1.43	2.86
Abstraction - Buildings/Civil works	1.25	2.5
Lifting and fresh water stations		
- Buildings/Civil works	1.75	3.5
- General plant	7.5	15
- Specific plant	6	12
- Fresh water plant	4	8
- Disinfection plant	2.5	5
- Transformers	2	4
- Pumps	3.34	6.67
- Tanks	1.25	2.5
- Filtration plant and filters	2.78	5.56
- Generators and blowers	2.28	4.55
- Building works	1.43	2.86
Tanks	2	4
- Disinfection plant	2.5	5
- Building works	1.11	2.22
Pipelines and distribution network	2.5	5
Distribution network in steel. cast iron or spheroidal cast iron	1	2
Distribution network in reinforced cement-PE-PVC	1.43	2.86
Outlets/Intakes and connections	2.22	5
Meters	4	10
Electricity substations - Specific plant	3.5	7
Road vehicles	10	20

Electricity production and distribution service	min %	max %
Land	-	-
Buildings	1.5	3
MV underground and overhead distribution network	2	4
LV underground and overhead distribution network	4	8
HV/MV - LV/MV transformers	3.5	7
- station transformers	2	4
- pole transformers	2.5	5
Connections	3.33	8
Meters	4	10
Tables	1.66	3.33
Limiting devices	1.66	3.33
Masonry and single-pole stations	1.66	3.33
Polyfers	1.25	2.5
Receiver stations	1.66	3.33

Waste management services	min %	max %
Land	-	-
Buildings	1.5	3
Secondary building units (warehouse)	1.5	3
General plant	7.5	15
Specific IR plant	5	10
- land	-	-
- buildings	1.00 - 1.25	2.00 - 2.50
- fixed plant with real estate pertinency	1.66 - 2.00	3.33 - 4.00
- external building works	1.66	3.33
- electric production plants	2	4
- general plant	2.5	5
- waste-to-energy post-combustion furnace boiler and fume recovery line	2.5	5
- waste-to-energy heater with fluid bed boiler line	3.57	7.14
- steam turbine and electricity production	2.5	5
- waste-to-energy line control systems	5	10
Specific BIOGAS plant. storage + IRE	5	10
- land	-	-
- buildings	1.00 - 1.25	2.00 - 2.50
- fixed plant with real estate pertinency	1.66 - 2.00	3.33 - 4.00
- external building works	1.66	3.33
- electric production plants	2.5	5
- CDR packing	2.5	5
- selection. chopping. feeding and sorting plant	2.50 - 3.33	5.00 - 6.67
- ventilation plant	3.33	6.67
- general plant – stabilisation plant – storage tanks	2.5	5
- control systems	5	10
- containers and bins	5.00 - 10.00	10.00 - 20.00
- internal handling equipment	4.16	8.33
Specific waste composting plant	5	10
- land	-	-
- buildings	1.00 - 1.25	2.00 - 2.50
- fixed plant with real estate pertinency	1.66 - 2.00	3.33 - 4.00
- external building works	1.66	3.33
- general plant and lifting equipment	3.33	6.67
- pre-selection plant	2.5	5
- mixing plant	3.33 - 5.00	6.67-10.0
- palleting plant	5	10
- energy recovery plant	2.5	5
- screening and refining plant	3.33 - 4.16	6.67-8.33
- weighing plant	2.25	5
- dioxidization / organic treatment systems	3.33	6.67
- second maturing	5	10
- cumulus turning and internal handling equipment	4.16	8.33
Vehicles and internal means of transport	10	20
Waste containers and equipment	5	10
General equipment	5	10
Snow service equipment	5	10
Sanitary equipment	5	10
Light construction	5	10
Motor vehicles	12.5	25
Controlled landfills	-	-

Land is not depreciated. Landfills are depreciated on the basis of the percentage filled.

Gains and losses deriving from the sale or disposal of assets are determined as the difference between the sales revenues and the net book value of the assets, and are charged to the income statement.

Leasing – Leasing agreements are classified as financial leases when the terms of the agreement are such that they essentially transfer all the risks and benefits of ownership to the lessee. The assets forming the subject matter of financial leasing agreements are recorded among tangible fixed assets and stated as Group assets at their fair value as of the date of acquisition, or, if lower, at the current value of the minimum payments due for the leasing; they are depreciated on the basis of their estimated useful life on a consistent basis with the assets owned. The corresponding liability vis-à-vis the lessor is recorded in the balance sheet. The payments for lease instalments are divided up into the principal portion and the interest portion and the financial charges are booked directly to the income statement for the period. All the other leases are considered to be operating leases and the related costs for the lease instalments are recorded on the basis of the conditions anticipated in the agreement.

Intangible assets – Intangible assets which are identifiable and can be monitored, and whose cost can be reliably determined based on the supposition that said assets will generate future economic benefits, are recorded in the accounts. These assets are stated at cost in accordance with the policies indicated for tangible fixed assets and, if they have a defined useful life, they are amortised systematically over the period of the estimated useful life. The amortisation commences when the asset is available for utilisation or in any case begins to produce economic benefit for the business. Work in progress includes costs relating to intangible fixed assets for which the process of economic use has not yet commenced. If the intangible fixed assets have an undefined useful life, they are not amortised but subjected to an annual impairment test, even in the absence of indicators which disclose losses in value.

Research costs are recorded in the income statement; development costs for new products and/or processes are booked to the income statement in the year they are incurred, if they do not have multi-year use requirements.

Advertising expenses are charged directly to the income statement.

Industrial patent rights and know-how are representative of assets which are identifiable and capable of generating future economic benefits under the Company's control; these rights are amortised over the related useful lives.

Concessions and licences mainly comprise rights for the concession under management of local public services and are amortised on a straight-line basis over either the economic-technical life of the assets granted or the duration of the concession involved, whichever period is shorter. The residual value of the intangible fixed assets which corresponds with the water concessions contributed by the merged companies and/or the spun-off business segments, is by contrast amortised in consideration of the average residual management duration in light of the agreements currently in force with the area agencies. The residual value of the intangible fixed assets which corresponds with the concessions for the management of the methane gas distribution networks contributed by the merged companies and/or the spun-off business segments is amortised in consideration of the residual transitory management duration anticipated by current legislation (Letta Decree and Marzano Law).

The gains and losses deriving from the disposal of an intangible fixed asset are determined as the difference between the disposal value and the book value of the assets; they are recorded in the income statement at the time of disposal.

Business combinations – Business combination transactions are stated by applying the purchase method, as a consequence of which the buyer acquires the shareholders' equity and takes over the assets and liabilities of the acquired company. The cost of the transaction includes the fair value of the transferred assets, liabilities taken on, capital instruments issued and all other additional charges as at the date of acquisition. Any positive difference between the cost of the transaction and the fair value at the date the assets and liabilities are acquired is attributed to goodwill (subject to impairment tests, as indicated in the following paragraph). If the process of allocating the purchase price shows a negative differential, it is immediately charged to the income statement at the date of acquisition. If non-absolute control investments are acquired, goodwill is recorded only for the part attributable to the parent company.

Goodwill deriving from acquisition of an associated company is included in the book value of the investee company, as specified under the paragraph "investments in associated companies".

If additional equity investments are acquired after control is achieved, the positive difference between the cost incurred for the purchase and the share held in the net assets acquired, stated at fair value, is recorded as goodwill.

Losses in value - impairment - As of each balance sheet date and when events or situation changes indicate that the book value cannot be recovered, the Group takes into consideration the book value of the tangible and intangible fixed assets in order to assess whether there is any indication that said assets have suffered an impairment. If there is any indication in this sense, the recoverable amount of said assets is estimated so as to determine the total of the writedown. The recoverable amount is either the fair value, less sales costs or the usage value, whichever is the greater. Where it is not possible to estimate the recoverable value of an asset individually, the Group estimates the recoverable value of the unit generating the financial flows to which said assets belong. Future cash flows are discounted back at a discount rate (net of taxation) which reflects the current valuation of the market and takes into account the risks associated with the specific business activities.
If the recoverable amount of an asset (or of a unit generating financial flows) is estimated as lower than the related book value, the book value of the assets is reduced to the lower recoverable value and the impairment is booked to the income statement. When there is no longer any reason for a writedown to be maintained, the book value of the asset (or the unit generating financial flows), with the exception of goodwill, is restated at the new value deriving from the estimate of its recoverable value; however, this new value cannot exceed the net book value which the asset would have had if the writedown had not been made for the loss in value. The write-back of the value is charged to the income statement.

Treasury shares - In application of IAS 32, treasury shares are recognised as a reduction in shareholders' equity. Also, any differences generated by future purchase or sale transactions are recorded directly as changes in shareholders' equity, without passing via the income statement.

Equity investments and securities – The equity investments recorded in this item relate to long-term investments.

Investments in associated companies – An associated company is a company over which the Group is able to exercise significant influence, (but not control, or joint control), by means of participation in the decisions on the financial and operating policies of the investee company. Investments in associated companies are carried at equity, except in the cases where they are classified as "held for sale", or when they are not of a significant value; in such an event they are carried at cost, with writedowns, if necessary, based on the results of the impairment test. In accordance with the equity method, the investments are stated in the balance sheet at cost, as adjusted for the changes subsequent to acquisition in the net assets of the associated companies, net of any losses in value of the individual investments and dividends distributed by the investee. The additional value of the acquisition cost with respect to the percentage due the Group of the current value of the identifiable assets, liabilities and potential liabilities of the associated company as of the acquisition date is recognized as goodwill. The goodwill is included in the book value of the investment and subject to an impairment test as part of the valuation of the equity investments.

Other equity investments and securities – The other equity investments and securities belong to the category anticipated by IAS 39 "financial assets available for sale" (commented on hereunder in the specific paragraph). They comprise instruments representative of shareholders' equity and are stated at fair value and booked to shareholders' equity. When the market price or fair value cannot be calculated, they are assessed at cost and can be adjusted if there are losses of value.
If the reasons for the writedown cease to exist, the investments carried at cost are re-valued within the limits of the writedowns made and the effect is booked to the income statement, or to shareholders' equity if the investments are held as assets available for sale. The risk deriving from any losses exceeding the book value of the investment is recorded in a specific reserve to the extent that the holder is obliged to fulfil legal or implicit obligations vis-à-vis the investee company or in any event cover its losses.
As more fully specified hereunder, the financial assets that the Company intends or is able to maintain until maturity are stated at cost, represented by the fair value of the initial payment made in exchange, increased by the transaction costs. Following initial registration, the financial assets are valued on an amortised cost basis using the effective interest rate method.

Receivables and Financial Assets – The Group classifies financial assets in the following categories:

- assets valued at fair value with matching entry in income statement;
- receivables and loans;
- financial assets held until maturity;
- financial assets available for sale.

Management determines their classification when they are first recorded.

Financial assets valued at fair value with matching entry in income statement
This category includes the financial assets acquired for short-term trading purposes, in addition to the derivatives, which are described in the specific paragraph below. The fair value of these instruments is determined by referring to the market value on the date the registration period ends. Changes in fair value of the instruments belonging to this category is immediately recorded in the income statement.
Classification under current and non-current reflects management's expectations regarding their trading: current assets include those whose trading is expected within 12 months or those identified as held for trading.

Receivables and loans

The category includes assets not represented by derivative instruments and not listed on an active market, from which fixed or determinable payments are expected. These assets are valued at amortised cost on the basis of the effective interest rate method. Should there be objective proof of indicators of impairments, the value of the assets is reduced to such an extent as to be equal to the discounted value of the flows that can be obtained in the future. The losses in value determined by means of impairment testing are recorded in the income statement. If reasons for the previous writedowns cease to exist in subsequent periods, the value of the assets is reinstated up to the value that would have derived from applying the amortised cost if the impairment testing had not been carried out. These assets are classified as current assets, except for the portions accruing after 12 months, which are included amongst the non-current assets.

Financial assets held until maturity

Unlike derivative instruments, these assets are those with a pre-established maturity and for which the Group plans to, and is able to, keep them in the portfolio until maturity. They are of an insignificant amount in the consolidated financial statements. They are classified as current assets if their contractual maturity is expected within the next 12 months. Should there be objective proof of indicators of impairments, the value of the assets is reduced to such an extent as to be equal to the discounted value of the flows that can be obtained in the future: the impairments determined via impairment testing are recorded in the income statement. If reasons for the previous writedowns cease to exist in subsequent periods, the value of the assets is reinstated up to the value that would have derived from applying the amortised cost if the impairment testing had not been carried out.

Financial assets available for sale

Financial assets not represented by derivative instruments designated expressly as falling within this item or not classified in any of the previous items are included in this category. They are of an insignificant amount in the consolidated financial statements. These assets are valued at fair value, the latter determined by referring to the market prices at the balance sheet date, infra-annual situations or using financial measurement techniques and models, recording their change in value with matching entry in a specific shareholders' equity provision ("provision for assets available for sale"). This provision goes back to the income statement only when the financial asset is actually sold or, in the case of negative changes, when the value reduction already recorded in the shareholders' equity is found to be unrecoverable. Classification as current or non-current asset depends on management's plans and on the real negotiability of the security: those whose encashment is expected during the next 12 months are recorded as current assets.
Should there be objective proof of indicators of impairments, the value of the assets is reduced to such an extent as to be equal to the discounted value of the flows that can be obtained in the future: the negative value changes previously recorded in the shareholders' equity reserve are transferred to the income statement. The impairment previously booked is restored if the circumstances that brought about its recording no longer exist.

Environmental bonds – The Group is subject to the various environmental regulations issued (Directive 2003/87/EC – Emission Trading; Italian Ministerial Decree 24/05 and subsequent modifications – Green Certificates; Italian Ministerial Decree 20/7/04 – Energy Efficiency Bonds) that require that the obligations established through use of certificates or bonds be observed. Therefore, the Group is obliged to meet a need in terms of grey certificates (emission trading), green certificates and white certificates (energy efficiency bonds).
Developing markets on which these bonds/certificates are handled has also made it possible to initiate a trading activity.
The bonds are valued according to the destination they are assigned to.
The bonds held to meet the company's requirement are recorded as assets at cost. The environmental bonds assigned free of charge are initially recorded at a nil value. If the bonds in the portfolio prove to be insufficient to meet the need, a special provision is set aside to guarantee adequate coverage when the bonds are delivered to the operator.
The bonds exceeding the need (assigned objective) are recorded as assets and marked as held for trading.
In fact, physical and financial buying and selling activities are started within the Group involving commodities (commented on in the paragraph "derivative financial instruments") and regarding environmental bonds such as emission shares, green certificates and white certificates for the amount exceeding the estimated need. These bonds are measured at fair value at the end of the year, with their changes recorded in the income statement.

Other non-current assets – These are stated at par value, and possibly adjusted for any losses in value corresponding to the amortised cost.

Trade receivables – Trade receivables are recorded at amortised cost, adjusted for impairment. Financial assets are recorded and reversed from the financial statements on the basis of the date of transaction; furthermore, these assets are reversed in the event of sale which transfers all risks and benefits associated with their management to third parties.

Contract work in progress – When the result of a contract can be reliably estimated, contract work in progress is valued on the basis of the contractual payments accrued with reasonable certainty, on a percentage of completion basis (cost-to-cost), so as to allocate the revenues and the economic result of the contract to the pertinent individual accounting periods, in proportion to the stage of completion of the work. The positive or negative difference between the value of the contracts and the advance payments received is recorded respectively among the balance sheet assets or liabilities. Contract revenues, in addition to the contractual payments, include the variations, the price review and the recognition of the incentives up to the extent it is probable that they represent effective revenues which can be determined reliably.

When the result of a contract cannot be reliably estimated, the revenues referable to the related contract are recorded solely within the limits of the contract costs incurred which will probably be recovered. The contract costs are recorded as expenses during the accounting period in which they are incurred.

When it is probable that the total contract costs will be greater than the contractual revenues, the expected loss is immediately stated at cost.

Inventories – Inventories are recorded at purchase cost, including directly chargeable related costs, or net estimated realisable value, whichever is the lower. Cost is determined on the basis of average cost weighted on a continual basis. The net realizable value is calculated on the basis of the current costs of the inventories at year end, less the estimated costs necessary for achieving the sale.

The value of obsolete and slow-moving stock is written down in relation to the possible use or realization, by means of the provision of a specific materials obsolescence allowance.

Inventories of work in progress and finished products are valued at weighted average manufacturing cost for the period, which comprises the raw materials, the consumables and the direct and indirect production costs excluding general expenses.

Cash and cash equivalents – The item relating to liquid funds and cash equivalents includes cash and bank current accounts and deposits repayable on demand and other short-term financial investments with high liquidity that are readily convertible into cash and are subject to an insignificant risk regarding their change in value.

Financial liabilities – These are initially stated at cost, corresponding to the fair value of the liability net of the transaction costs that are directly attributable to the issue of said liability. Following their initial recognition, financial liabilities, with the exception of derivatives, are valued on the basis of amortised cost, using the original effective interest rate method.

Employee leaving indemnity and other employee benefits – The liabilities relating to the defined-benefits plans (such as employee leaving indemnity - TFR) are calculated net of any assets serving the plan on the basis of actuarial suppositions and on an accruals basis in line with the employment services necessary for obtaining the benefits; the valuation of the liability is checked by independent actuaries. The portion of net cumulative value of the actuarial gains and losses exceeding the current obligation value by 10% for benefits defined at the end of the previous year is amortised over the remaining average working life of the employees (corridor method). Following the 2006 Italian Finance Bill no. 296 of 27 December 2006, companies with more than fifty employees and for quotas accrued as of 1 January 2007, the TFR is a defined benefit plan.

Provisions for risks and charges – The provisions for risks and charges comprise the amounts set aside as recorded in the financial statements on the basis of current obligations (as emerging from past events) which the Group believes it probably will have to meet. The provisions are set aside on the basis of the best estimate of the costs required to meet the fulfilment, as of the balance sheet date (with the assumption that there are sufficient elements for being able to make this estimate) and are discounted back when the effect is significant and the necessary information is available. In such an event, the provisions are determined by discounting back the future cash flows at a pre-taxation discount rate which reflects the current market valuation and takes into account the risk associated with the business activities. When the discounting back is carried out, the increase in the provision due to the passing of time is recorded amongst the financial charges. If the liability is associated with a tangible asset (such as the recovery of sites), the provision is recorded as a matching entry to the asset to which it refers and the recording of the charge in the income statement takes place by means of the depreciation process of the tangible fixed asset to which the charge refers. The methods envisaged by IFRIC 1 are adopted if liabilities are recalculated.

Trade payables – These refer to commercial supply transactions and are recorded at amortised cost.

Other current liabilities – These concern sundry transactions and are stated at par value, corresponding to the amortised cost.

Derivative financial instruments – The Group holds derivative instruments for the purpose of hedging its exposure to the risk of interest rate fluctuations and the risk of changes in methane gas and electricity prices. In relation to said activities, the Group must handle the risks associated with the misalignment between the index-linking formulas relating to the purchase of gas and electricity and the index-linking formulas linked to the sale of said commodities. The instruments used for handling price risk, both with regards to the price of the goods and the related Euro/Dollar exchange rate, are carried out through commodity-swap agreements, aimed at pre-establishing the effects on the sales margins irrespective of the changes in the afore-mentioned market conditions.

The transactions which, in observance of the risk management policies, satisfy the requisites laid down by the accounting standards for hedge accounting treatment are classified as “hedging” (recorded in the terms indicated below), while those which, despite being entered into for hedging purposes, do not satisfy the requisites required by the standards, are classified as “trading”. In this case, the fair value changes of the derivative instruments are recorded in the income statement during the period when they take place. Fair value is determined on the basis of the market reference value.

For recording purposes, the hedging transactions are classified as “fair value hedges” if they cover the risk of fluctuations in the market value of the underlying asset or liability; or as “cash flow hedges” if they cover the risk of changes in financial flows deriving both from an existing asset or liability, or from a future transaction, including transactions on commodities.

As far as derivative instruments classified as fair value hedges are concerned, which observe the conditions for the accounting treatment as hedging transactions, the gains and losses deriving from the determination of their market value are booked to the income statement. The gains and losses deriving from the adjustment to fair value of the element underlying the hedge are also booked to the income statement.

For instruments classified as cash flow hedges and that qualify as such, they are recorded in a special shareholders' equity reserve ("cash flow hedge reserve") but only referring to the "effective" amount, which is then recorded in the income statement at the time of economic manifestation of the underlying hedged object. The change in fair value referring to the ineffective portion is immediately recorded in the income statement of the period. If the underlying transaction should no longer be considered highly probable, or the hedging relationship can no longer be demonstrated, the corresponding portion of the “cash flow hedge reserve” is immediately recorded in the income statement. If, on the other hand, the derivative instrument is sold and therefore the hedging of the risk for which the transaction was created no longer qualifies as effective, the amount of “cash flow hedge reserve” relating to it is kept until the economic effects of the underlying contract arise.

Derivatives incorporated within financial assets/liabilities are separated off and independently assessed at fair value, except for those cases where, in accordance with the provisions of IAS 39, the exercise price of the derivative instrument as at the starting date is close to the value calculated on the basis of the amortised cost of the reference assets/liabilities. In such case, the assessment of the incorporated derivative instrument is absorbed in the assessment of the financial assets/liabilities.

Grants – Capital grants are stated in the income statement over the period necessary for correlating them to the related costs; they are represented in the balance sheet by recording the grant as deferred revenue. Operating grants, including those received from users for connection purposes, are considered to be revenues for services carried out during the accounting period and are therefore recorded on an accruals basis.

Revenue recognition - Revenues and income are stated net of returned items, discounts and rebates, and net of direct taxes related to the sales of products and services rendered. They are broken down into revenues deriving from operating activities and financial income which accrues between the sale date and the payment date.

Specifically:

- revenues from energy, gas and water sales are recognised and recorded at the moment of the provision of the service and include the services provided but not yet invoiced (estimated on the basis of historical analyses determined according to previous consumption levels);
- revenues from services rendered are recognised on the basis of services provided and in compliance with the relevant contracts;
- revenues from the sale of goods are recognised at the time the Group transfers the significant risks and benefits associated with ownership of the assets to the purchaser;
- costs are stated in accordance with the accruals principle.

Financial income and charges – Financial income and charges are recognised in accordance with the accruals principle.

Dividends of "other companies" are charged to the income statement at the time when the right to receive their payment is established, only if deriving from distribution of profit subsequent to the investee company's acquisition. If, instead, they derive from distribution of the investee's reserves existing prior to acquisition or from a distribution of capital reserves, these dividends are entered as a reduction in the cost of said equity investment.

Income taxes for the financial year - Income taxes for the period represent the sum of current and deferred taxes.
Current taxes are based on the taxable income for the year. Taxable income differs from the result recorded in the income statement, as it excludes positive and negative components which will be taxable or deductible in other years, and excludes items which will never be taxable or deductible. Current tax liabilities are calculated using current tax rates in force at the balance sheet date, and are recorded under the item "income taxes payable". In calculating the taxes for the year, the Company duly considered the effects deriving from the IAS tax reform introduced by Italian Law No. 244 of 24 December 2007, and in particular the enhanced principle of derivation set forth under Article 83 of the FCA that now envisages that "the criteria of qualification, time allocation and classification in the financial statements envisaged by the international accounting standards" apply to parties that apply the international accounting standards, also in derogation of the provisions of the FCA.

Deferred taxes are calculated having regard to the temporary differences in taxation, and are recorded under item "deferred tax liabilities". The deferred tax assets are recorded to the extent in which their existence is considered probable in the years when their temporary differences will be reversed of a taxable income at least equal to the amount of the differences that will be offset.

Deferred and prepaid taxes are determined on the basis of the tax rates in force at the time the temporary differences are recorded. Any variations, as a result of amendments to taxes and/or to rates, will be recorded in the year in which the new provisions will come into force and will become effectively applicable. These changes are charged to the income statement, or the shareholders' equity, depending on how the difference was originally charged.

Translation of foreign currency balances – The functional and reporting currency adopted by the Hera Group is the Euro. Foreign currency transactions are initially recorded using the exchange rate in force as of the transaction date. Foreign currency assets and liabilities, with the exception of fixed assets, are recorded using the exchange rate in force as at the period end date and the related exchange gains and losses are duly charged to the income statement; any net gain which might arise, is set aside in a specific restricted reserve until the date of realization.

Earnings per share – The earnings per share are represented by the net profit for the period attributable to the shareholders holding ordinary shares, taking into account the weighted average of the ordinary shares in circulation during the year. The diluted earnings per share are obtained by means of the adjustment of the weighted average of the shares in circulation, taking into account all the potential ordinary shares with dilution effect.

Transactions with related parties – Transactions with related parties take place on an arms'-length basis, in observance of efficiency and economic criteria.

Accounting standards, amendments and interpretations applicable from 1 January 2009

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

IFRS 8 – Operating Segments. Applicable from 1 January 2009, supersedes the previous IAS 14 – Segment Reporting. The new standard requires disclosing greater and more thorough information on data divided by business sectors, as well as identification criteria of operating segments. Information supplied is the same as information taken as reference by the corporate management to take operating decisions.

IAS 23 Revised – Borrowing Costs. Applicable from 1 January 2009, this envisages the obligation of capitalising the financial charges incurred for investments in assets for which a period of time is required to make them ready for use or sale, while the previous version of the standard only envisaged the faculty to capitalise said charges. This standard was further amended following the issue of improvements: in particular, a new definition of financial charges was included for capitalisation purposes. The adoption of this standard has no accounting effects on the Hera Group.

IAS 1 Revised – Presentation of the Financial Statements. Applicable from 1 January 2009. According to the new standard, the statement of changes in shareholders' equity must reflect only transactions made with shareholders who act as shareholders. Meanwhile, all transactions carried out with third parties (comprehensive income) shall be included in the statement of comprehensive income. The new standard set out the possibility to disclose either one single format of income statement, or two separate formats immediately consecutive (separate income statement and statement of other components of comprehensive income). The Group adopted this second possibility and also resolved, as provided for by the standard, to disclose the other components of the comprehensive income statement net of taxation. Amendments to IAS 27 – Cost of an Investment in a Subsidiary, joint venture and associated company. Applicable from 1 January 2009. The definition of "cost method" is eliminated from IAS 27. Therefore the company shall disclose all dividends of a subsidiary, joint venture or associated company as assets in the separate balance sheet, even if dividends are paid as reserves prior to the acquisition. Amendments to IAS 27 also clarify the methods to determine the cost of an investment when a Parent Company reorganizes the operating structure of its Group. The adoption of this standard has no accounting effects on the Hera Group.

It is worth noting that, effective on 1 January 2009, standards IFRIC 13 "Customer Loyalty Programmes", IFRIC 14 "Defined Benefit Assets and Minimum Hedging Criteria", the amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards", the amendment to IFRS 2 "Vesting Conditions and Cancellations" and the amendment to IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 1 "Financial Statements: Presentation" regarding puttable financial instruments and bonds in case of liquidation, entered into force, along with IFRS 4 regarding insurance agreements. However, the above-mentioned standards and amendments, have not, up to date, been applied by the Hera Group.

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

Improvement IAS 1 – Presentation of the Financial Statements. The update requires that assets and liabilities resulting from derivative financial instruments that are not held for trading are classified in the balance sheet by making a distinction between current and non-current assets and liabilities.

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

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

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

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

Improvement IAS 27- Equity Investments. It is indicated that in the separate financial statements of a company, equity investments in subsidiary, associated and jointly-controlled companies must be recorded at cost or in compliance with IAS 39 and the same criteria for each category of equity investments must be applied. The accounting standard adopted by the Group was aligned to the new provisions

Improvement IAS 36 – Impairment of Assets. This improvement sets forth that additional information should be given if the company defines a recoverable value of cash generating units by using the method of cash flow discounting. The Group considered these aspects at the time of financial statement disclosure for 2009.

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

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

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

In conclusion, mention is made of the disclosure update required by the amendments of IFRS 7 in force as from 2009, without any particular impact for the Group.
The accounting standards already in force and not amended, adopted during 2009, are unchanged with respect to the previous year.

Accounting standards approved by the European Union but not yet compulsory

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

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

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

Amendments to IAS 32 – Financial Instruments: Disclosure. These changes relate to the classification in the financial statements of rights issued (warrants, options) and are applicable as from the financial statements which commence after 1 February 2010 (therefore as from the 2011 accounting period for the Group).

Amendments to IFRIC 9: Recalculation of the value of the incorporated derivatives and to IAS 39- Financial instruments: Recognition and Measurement. The changes discipline specific reference dates for the valuation and criteria for the valuation of the same with regard to incorporated derivatives. This interpretation will not have any impact on the policies already applied by the Group.

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

IFRIC 15 – Agreements for the Construction of Real Estate. The interpretation supplies clarifications and inputs as to timing according to which revenues from the construction of real estate should be recognised, or whether an agreement for the building would be included in the application of IAS 11 Long-term construction Contracts or IAS 18 Revenue. This interpretation should not have any effects at Group level.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation. The interpretation clarifies the methods of applying the international accounting standards IAS 21 and IAS 39 in the cases in which an entity hedges the exchange risk deriving from own net equity investments in a foreign operation. This interpretation should not have any effects at Group level.

IFRIC 17 – Distribution of Non-Cash Assets to Owners. The interpretation disciplines the recording of dividends disbursed in different ways with respect to cash and cash equivalents. This interpretation should not have any effects at Group level for the time being.

IFRIC 18 – Transfers of Assets from Customers. The interpretation, applicable as from the 2010 accounting period, disciplines the recording of amounts collected from customers carried out via assets other than cash and cash equivalents. The Group is currently assessing any effects deriving from this interpretation.

Accounting standards which are being adopted by the European Union

The following updates of the main IFRS (already approved by the IASB), as well as the following interpretations and amendments, are currently being acknowledged by the competent bodies of the European Union:

IFRS 1 Revised – First-time Adoption of International Financial Reporting Standards
IAS 24 Revised – Related Parties
IFRIC 19- Extinguishing Financial Liabilities with Equity Instruments
IFRS 9- Financial Instruments, whose endorsement requires timescales which are not immediate
Amendments to IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction

Risk management

Credit risk

The Group is active in business areas characterised by a low credit risk, given the nature of the activities carried out and considering that the credit exposure is distributed on a large number of clients. The Italian market is virtually the only reference market. Assets are recognised in the financial statements net of any writedowns determined on the basis of the default risk of the counterparties, taking into account the information available on solvency and the historical data.

Liquidity risk

The liquidity risk to which the Group is exposed may arise from difficulties in obtaining, in a timely manner, loans in support of operations. Cash flows, financing needs and the liquidity of the Group's companies are centrally monitored or managed, under the control of the Group's Treasury Department, for the purpose of ensuring an efficient and effective management of financial resources. The financial planning of requirements, focused on medium-term borrowings, and the availability margins on credit facilities, allow an efficient management of liquidity risk.

Exchange rate, raw material price and interest rate risk

The Group is exposed to the price risk for energy products and the relevant exchange rates, given that it makes purchase transactions for raw materials, the prices of which are quoted in foreign currencies, or are influenced by the fluctuations of their rates.
Exposure to the interest rate risk arises from the need to finance the operations, and to invest any available liquidity. Fluctuations in market interest rates may negatively, or positively, affect the economic result of the Group, thus indirectly affecting costs and returns of financing and investment transactions.
The Group regularly assesses its exposure to the risk of changes in prices of raw materials and exchange rates (with reference to the impact on the prices of raw materials) and interest rates, and manages these risks through the use of derivative financial instruments, in accordance with the matters established in its risk management policies. Within the context of these policies, the use of derivative financial instruments is only reserved for the purpose of managing the exposure to fluctuations in price, exchange and interest rates connected with monetary flows and balance sheet assets and liabilities.

Significant estimates and valuations

Use of estimates

In drawing up the consolidated financial statements and related notes it is necessary for the directors to use estimates and valuations, with effects on the balance sheet figures, based on historical data and on the forecasts of specific events that should reasonably occur on the basis of currently available information. These estimates, by definition, are an approximation of the final figures. Hence the main areas characterised by valuations and assumptions that could give rise to variations in the values of assets and liabilities by the next accounting period are set forth below. Specific information is provided on the nature of these estimates and the assumptions on which they have been based, with indication of the reference book values.

Impairment of goodwill

The Group carries out an impairment test on goodwill at least once a year. This test is based on the calculation of its value in use, which requires the use of estimates, as specified in paragraph 18 of this note.

Allocations to provisions for risks

These provisions have been made by adopting the same procedures as previous years and hence by referring to the updated reports of the legal counsel and the consultants following the disputes, as well as on the basis of developments in the related proceedings. Specifically, in the paragraph relating to provisions for risks the assumptions used to estimate the provision for risks in INPS (Social Security) disputes are specified.

Disclosure of revenues

Revenues for the sale of electricity, gas and water are recognised and accounted for at supply and include the allocation for services rendered between the date of the last reading and the ending of the financial year. This allocation is based on estimated of the customer’s daily consumption, based on the historic profile, adjusted to reflect the weather conditions or other factors which might affect consumption under evaluation.

4 Revenues

	2009	2008	Changes
Revenues from sales and services	4,204,204	3,716,336	487,868
Change in contract work in progress	-1,889	2,866	-4,755
Change in inventories of work in progress, semifinished and finished products and contract work in progress	11	-262	273
Other income and revenues	82,755	73,081	9,674
Total	**4,285,081**	**3,792,021**	**493,060**

Please see the Report on Operations for the analysis of sales trends by business sector and the note providing information by business area.

5 Other operating income

	2009	2008	Changes
Termination of lease contracts of the gas and district heating business units	16,841	0	16,841
Operating grants and grants for separated waste collection	13,133	11,452	1,681
White certificates	10,938	8,998	1,940
Capital gains on sales of goods	7,379	3,304	4,075
Re-assessment of other provisions	5,154	13,289	-8,135
Brokerage for waste treatment	5,048	6,601	-1,553
Insurance reimbursements	4,150	8,010	-3,860
Capital grants	3,255	3,235	20
Costs reimbursed	2,199	2,020	179
Leases	1,757	3,817	-2,060
Sale of materials and stock to third parties	630	682	-52
Other revenues, reimbursements and income	12,271	11,673	598
Total	**82,755**	**73,081**	**9,674**

The most significant changes that have occurred since last year are noted below.

The termination of lease contracts of the gas and district heating business units with the company Area Asset Spa and Com.Ami; as part of the share capital increase of the parent company and following the transfer of the gas and district heating networks, this termination generated non-recurrent extraordinary income equal to Euro 16,841 thousand. For a more exhaustive information on the nature of the transaction, reference is made to the Report on Operations.

Operating grants and grants for separated waste collection: this item shows an increase of Euro 1,681 thousand, mainly due to higher quantities of packaging (paper, cardboard, glass, wood) coming from the separated waste collection and sold to the Consortiums of the Conai Chain, as well as grants paid to the Parent Company by the RAEE Coordination Centre (electric and electronic equipment waste) based on the provisions of the programme agreement entered into with Anci on 18 July 2008, regarding the new RAEE management system.

Capital gains on sales of goods: it should be especially noted that the sale of real estate properties in Bologna - Via Tolmino (building used as garage for vehicles used for the waste management services) and Viale Berti Pichat (building near Via Ranzani), generated Euro 1,799 thousand and Euro 3,318 thousand in capital gains, respectively. The capital gain on the sale of telecommunications equipment, amounting to Euro 1,430 thousand, should be also noted.

Re-assessment of other provisions: this item is mainly composed of the landfill post-closure provision (Euro 2,366 thousand), the provision for disposal of waste stored (Euro 1,133 thousand), as well as of the provision for future electricity service costs (Euro 1,463 thousand).

Insurance reimbursements: this item refers to the reimbursement received following the fire occurred in the WDF and IRE plants in Ravenna (Euro 1,312 thousand) as well as in the waste-to-energy plant in Modena (Euro 510 thousand) and damages to other assets (Euro 2,328 thousand).

Other revenues, reimbursements and income: the item includes revenues regarding the contract signed by the parent company and ICQ Holding Spa for the exploitation of energy from biogas produced by landfills, Euro 2,750 thousand, as well as for the cost recovery from waste management services, Euro 2,169 thousand.

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

	2009	2008	Changes
Electricity ready for sale	1,814,172	1,418,848	395,324
Methane ready for sale and LPG net of inventory charges	838,739	854,849	-16,110
Maintenance materials: handling and spare parts net of change on stock	49,208	69,684	-20,476
Water	34,281	24,104	10,177
Electricity for industrial use	18,238	13,192	5,046
Chemical products	13,931	13,343	588
Fuels and lubricants	11,281	14,512	-3,231
Methane for industrial use	5,175	15,537	-10,362
Fuel for heat generation	3,371	3,097	274
Income and charges on derivatives	-17,692	-13,146	-4,546
Consumables and sundry materials	4,161	7,419	-3,258
Total	**2,774,865**	**2,421,439**	**353,426**

Please see the report on operations for the analysis of trends in the costs of raw materials and consumables.

Item “electricity ready for sale” is net of the effect of the valuation of grey and green certificates.

As regards comments on item “income and charges on derivatives”, reference is made to note 22 in the balance sheet.

We would like here to highlight the sharp increase, compared with the previous financial year, in the costs related to the “electricity ready for sale”; increase connected to the increase in sales revenues.

7 Costs for services

	2009	2008	Changes
Waste transportation, disposal and collection services	159.582	140.414	19.168
Charges for works and maintenance	128.992	252.880	-123.888
Energy transport and storage	103.588	69.596	33.992
Fees paid to local authorities	73.542	76.051	-2.509
Technical, organisation, legal and tax assistance consultancy	21.820	13.742	8.078
Rents and leases payable	18.561	20.370	-1.809
Postal and telephone costs	16.192	12.675	3.517
Technical services	14.068	17.283	-3.215
Insurances	13.174	13.959	-785
IT and data processing services	11.190	12.966	-1.776
Recruitment, training and other staff costs	10.822	10.520	302
Bank fees and charges	7.436	6.694	742
Announcements and advertising	6.032	7.941	-1.909
Cleaning and security costs	5.379	5.213	166
Remuneration to Statutory Auditors and Directors	5.299	5.081	218
Meter readings	5.259	3.797	1.462
Laboratory analysis	3.569	4.704	-1.135
Industrial utilities (water, methane, heat and electrical energy)	3.354	5.178	-1.824
Fees payable	3.108	4.542	-1.434
Transportation	2.170	2.950	-780
Other service costs	20.304	29.489	-9.185
Total	**633.441**	**716.045**	**-82.604**

The most substantial changes by comparison with the previous year are described below.

Waste transportation, disposal and collection services: the increase is due to a higher number of waste management services rendered to some municipalities. This increase in costs was followed by an increase in revenues which were included in the tariff (TIA).

Charges for works and maintenance: the decrease is mainly due to the total demerger of the Territorial Operating Companies (TOC), with which the service contract by the same TOC, on behalf of the parent company, was terminated. These services were then capitalised by Hera Spa. This decrease is mainly due to exposition effects, For a better comparison with year 2008, reference is made to note 11.

Energy transport and storage: the increase is attributable to higher volumes of electricity sold on third party grids.

Fees paid to local authorities: the decrease is mainly due to the early termination of the lease contract with Area Asset Spa and Con.Ami, following the already mentioned transaction, with recognition of lower costs for fees, equal to Euro 2,313 thousand.

Rents and leases payable: the increase is mainly due to the consolidation of the companies Acantho Spa and Satcom Spa, and the subsequent elimination of infragroup costs.

For further information reference is made to the Report on Operations.

8 Personnel costs

	2009	2008	Changes
Wages and salaries	247.800	233.617	14.183
Social security	81.514	73.656	7.858
Employee leaving indemnity and other benefits	875	1.132	-257
Other costs	21.855	22.673	-818
Total	**352.044**	**331.078**	**20.966**

The increases in labour costs, compared with the year 2008, are connected with contract-based payments , higher taxes and the change in the scope of consolidation (mainly Acantho Spa and SatCom Spa).

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

	2009	2008	Changes
Executives	125	119	6
Middle Management	323	302	21
White-collar workers	3.142	2.952	190
Blue-collar workers	2.891	3.106	-215
Average number	**6.481**	**6.479**	**2**

The total, average, per capita cost of labour in the financial year 2009 was Euro 54 thousand higher than in the same period in the previous year, an increase of 5.8%.

As at 31 December 2009, the effective number of employees was 6,481.

The different disclosure of some items, with respect to figures disclosed in 2008, is shown hereunder.

	2008 published	reclassification	2008 reclassified
Employee leaving indemnity	2.114	-982	1.132
Other costs	21.691	982	22.673
Total	**23.805**	**0**	**23.805**

9 Amortisation, depreciation and allowances

	2009	2008	Changes
Depreciation of tangible fixed assets	177.900	155.699	22.201
Amortisation of intangible fixed assets	46.614	41.144	5.470
Bad debt provisions	26.352	22.404	3.948
Provisions for risks and charges	25.135	28.309	-3.174
Total	**276.001**	**247.556**	**28.445**

For further information on the items, please see comments under “tangible fixed assets”, “intangible assets”, “trade receivables” and “provisions for risks and charges”. The increase in depreciation of tangible assets and amortisation of intangible assets, compared to 2008, is ascribable to new investments made and, as per Euro 10,480 thousand, to the enlargement of the scope of consolidation to the companies Acantho Spa, Satcom Spa and Agea Reti Srl.

10 Other operating costs

	2009	2008	Changes
Special landfill levy	10.741	13.693	-2.952
State rentals	5.275	12.368	-7.093
Taxation other than income taxes	5.001	4.020	981
Membership fees and other fees	3.480	2.836	644
Capital loss on the sale	3.188	638	2.550
Losses on receivables	35	310	-275
Other minor charges	9.724	9.823	-99
Total	**37.444**	**43.688**	**-6.244**

The most substantial changes compared to the previous year are described below.

The decrease of the special landfill levy, equal to Euro 2,952 thousand, is mainly due to a combined effect of higher levy (Euro 612 thousand), following the management of two new landfills in the areas of Pesaro and Urbino and a lower levy (Euro 3,038 thousand), mainly due to the closure of a landfill in the province of Modena.

The decrease in state rentals is attributable to the following:

- Euro 1,543 thousand to a different classification of the rentals regarding the contract signed for the rainwater collection and removal service in the municipalities of Bologna and province, accounted for, in 2009, under the item services;
- Euro 5,808 thousand to rentals charged by Acantho Apa to Group companies. Following the line-by-line consolidation of Acantho Spa, these rentals were eliminated in 2009.

Item capital loss on the sale of assets was generated due to:

- sale of the Gasometer Area, at the headquarters of Viale Berti Pichat, totalling Euro 525 thousand;
- disposal of electricity meters, totalling Euro 539 thousand;
- damages incurred by some corporate assets, compensated by insurance companies, Euro 817 thousand (reference is made to Note 5 “Other operating revenues - insurance reimbursements);
- disposal of the energy recovery plant at the incinerator of Ravenna, Euro 40 thousand;
- disposal of assets damaged by fire occurred at the incinerator of Modena, amounting to Euro 198 thousand;
- damages to the hydraulic plant at the incinerator of Ferrara, Euro 385 thousand.

Other minor charges, down by Euro 99 thousand, is mainly due to the consolidation of Acantho Spa and the subsequent elimination of infragroup relations. The item is mainly composed of subsidies to economically disadvantaged clients.

11 Capitalised costs

	2009	2008	Changes
Increases for internally-constructed fixed assets	79.990	248.530	-168.540
Total	**79.990**	**248.530**	**-168.540**

The decrease in this item is mainly due to the total spin-off of the Territorial Operating Companies (TOC). As a result, the service contract for performance of works by said TOCs, on behalf of the parent company, works which were then capitalised by Hera Spa, was terminated.

This item also includes personnel costs and financial charges, for Euro 33,921 thousand (Euro 4,598 thousand as at June 2008) and Euro 9,726 thousand (Euro 11,855 thousand as at June 2008), respectively. Please see the notes on the balance sheet assets (tangible fixed assets and intangible assets) and the Report on Operations for the related analysis.

In order to uniform the comparison with the previous year, if the spin-off transaction of Sot was not concluded, this item would have been equal to Euro 232 million and therefore perfectly aligned to the same item of year 2008. The increase, with respect to amounts actually recorded as at 31 December 2009, would have been mainly included in item Service costs (note 7).

12 Portion of profits (losses) pertaining to associated companies

	2009	2008	Changes
Portions of profits	4.412	2.512	1.900
Portions of losses	-491	-389	-102
Total	**3.921**	**2.123**	**1.798**

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

13 Financial income and charges

	2009	2008	Changes
Derivatives on interest	10,122	7,98	2,142
Capital gains on investiments and dividends from other companies	5,696	5,18	516
customers	4,007	1,573	2,434
Banks	822	3,917	-3,095
Other financial income	2,32	3,512	-1,192
Total financial income	22,967	22,162	805

	2009	2008	Changes
Bond loans	51.037	42.502	8.535
Derivatives on rates	27.735	4.576	23.159
Discounting of provisions and financial leases	17.129	10.077	7.052
Mortgages	15.866	29.470	-13.604
Bank current account overdrafts	8.010	20.730	-12.720
Capital losses and write-downs of equity investment	54	388	-334
Other financial charges	20.413	8.426	11.987
Total financial charges	**140.244**	**116.169**	**24.075**

The change in the balance of financial operations is described, overall, in the Report on Operations.

Income and charges on rates highlight a negative net effect, amounting to Euro 17,613 thousand, with an increase of Euro 21,017 thousand compared to the previous year. To this purpose, see Note 22 to the balance sheet.

Item “Dividends from other companies and capital gains on equity investments” mainly regards a 2009 dividend on account paid by Energia Italiana Spa to Hera Spa and amounting to Euro 5,015 thousand, as well as Euro 400 thousand as capital gain, again achieved by the Parent company, regarding the disposal of the equity investment in Ambiente Mare Spa to a private shareholder.

Item “Other financial income” includes Euro 1,400 thousand of income generated by the renegotiation of the Put Extendable bond, totalling Euro 200 million.

Item “Bonds” comprises the following:

- Euro 37,677 thousand of financial charges on bonds;
- Euro 13,360 thousand related to the application of amortised cost. With regard to the method used, please note that in the recalculation, the maximum duration for the loans was assumed, and it was also assumed that the put options would not be exercised for the duration of the same loans, within the terms set out in the contract.

The increase, compared to last year, is mainly due to a new bond loan, called put call reset bond, entered into during the second half of 2008, as well as the issue, in 2009, of a 15-year bond loan for the amount of 20 billion Japanese Yen, with a Euro hedge of around Euro 150 million, and the issue of another bond loan, a Euro 500 million, fixed–rate bond, effective as from November 2009.

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

- Euro 12,254 thousand related to charges paid following the recovery of the “tax moratorium”. To this purpose, for a more thorough description see note 15 regarding taxes.
- Euro 6,202 thousand for charges related to assignment of credits without recourse;

Item “Discounting of provisions and financial leases” is broken down as follows:

	2009	2008	Changes
Restoration of third party assets	7.514	3.846	3.668
Landfill post-closure provision	5.675	316	5.359
Employee leaving indemnity and other similar benefits	3.030	4.930	-1.900
Financial leasing	910	985	-75
Total	**17.129**	**10.077**	**7.052**

the increase in interests of landfill post-closure provision and provision for the restoration of assets is connected with the decrease of WACC applied for the purposes of the discounting of provisions, and, as regards the provision for the restoration of assets, the increase is also due to the near expiation terms of some concession agreement.

Reclassifications made for some items recorded in the financial statements as at 31 December 2008 are shown below:

Financial income	**2008 published**	**reclassification**	**2008 reclassified**
Interest received on other receivables	107	-107	0
Other financial income	3.405	107	3.512
Financial income-capital gains on investment negotiations	824	-824	0
Dividends from equity investments in other companies	4.356	-4.356	0
Capital gains on equity investments and dividends from other companies	0	5.180	5.180
Total	**8.692**	**0**	**8.692**

Financial charges	**2008 published**	**reclassification**	**2008 reclassified**
Financial charges as a result of IAS 19	4.930	-4.930	0
Financial charges generated by the application of "other international accounting standards"	5.147	-5.147	0
Discounting of financial provisions and leasing	0	10.077	10.077
Bond loans	0	42.502	42.502
Other financial charges	50.928	-42.502	8.426
Capital losses on investment negotiations	388	-388	0
Capital losses and write-downs of investments	0	388	388
Total	**61.393**	**0**	**61.393**

14 Other non-operating costs

	2009	2008	Change
Other non operating costs	15,319	0	15,319
Total	**15,319**	**0**	**15,319**

They refer to charges for taxes, of the non-recurrent type, paid for the “tax moratorium” as per Note 15 hereunder.

15 Income taxes

	2009	2008	Changes
Current, deferred and prepaid taxes	77637	78597	-960
Total	**77637**	**78597**	**-960**

The impact of income taxes on profit before tax is 47.7%, compared to 41,6% of the year 2008. The increase in the tax rate compared to the previous year is mainly due to (non-deductible) costs borne for the tax moratorium, as well as to a higher proportional impact of IRAP, taken into account that the taxable basis and the tax rate applied, over the total cost, increased compared to the previous year. In calculating the tax impact, 1% increase was included of the IRES tax, the so-called “Robin tax”, applicable to companies which operate in the segment of gas and electricity production and/or sale. The effect of this tax is not significant. This increase was set forth by Law no. 99 of 23 July 2009, published in the Official Gazette on 31 July 2009. The additional amount was therefore applied in the overall percentage of 6.5%.

While calculating taxes for the year, the effects resulting from the IAS tax reform introduced by Law no. 244 of 24 December 2007, and the related implementation decree, Ministerial Decree no. 48 of 1 April 2009 were kept in duly consideration, and especially the derivation principle set out by Art. 83 of the FCA which now sets out that for entities that apply international accounting standards, also notwithstanding provisions set out by the FCA, “criteria regarding definition, time-based recognition and classification in the balance sheet, as set out by the above-mentioned accounting standards” shall apply.

Information on the tax 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 government aid declared illegitimate by the Ruling of the European Commission no. 2003/193 dated 5 June 2002, on 6 April 2007 Hera Spa (with respect to the position regarding the former Seabo Spa) was served the notices/orders issued by the Inland Revenue office responsible for the area, demanding the payment of a total amount of Euro 22,313 thousand for the four tax periods involved in the recovery. On 31 May 2007, Hera Spa 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 provincial tax commission issued ordinances accepting the suspension requests made by the company, scheduling a hearing of the case for 13 December 2007. On 19 April 2008, notification was made that the appeals had been rejected, except for that relating to the tax period 1997. In this case, the commission recognised the legitimacy of the deduction of tax withheld and of the tax credit carried over from previous years. 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 served a further tax payment slip regarding the payment of interest for the suspension period, then paid in December 2008, and amounting to Euro 660 thousand.
On 3 October 2008, appeals were filed against above-mentioned rulings. On 29 January 2010 the rulings, issued on 21 January 2010, were filed. Based on these rulings, the Emilia Romagna Regional Tax Commission rejected the appeals submitted by Hera Spa and reformed the first-instance rulings, rejecting the deduction made in the income returns submitted and related to withholding taxes paid: to this purpose, the amount expected to be paid, for the only capital share, is equal to Euro 3,362 thousand. As of today, the payment slip has not been received yet. The appeals before the Court of Cassation are being prepared.

Please also note that, under the terms of agreements made between shareholders (and specified in the IPO prospectus) 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. It is also 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.

On 31 December 2009, outstanding receivables for collection, related to all payments made by Hera spa for the position related to the former Seabo, up to 20 October 2009, amounted to Euro 1,644 thousand.

Regarding the former Meta Modena, merged into Hera with effect as from 31 December 2005, for which there was no indemnity mentioned above, pursuant to and in accordance with the Law Decree no. 10 of 15 February 2007, on 10 May 2007 the Inland Revenue Office of Modena served Hera Spa with notices and injunctions for the recovery of state aid relating to the tax periods 1997, 1998 and 1999. On 6 June 2007, Hera Spa filed self-defence petitions requesting the amendment of the notices and injunctions. On 11 June 2007, the Inland Revenue office of Modena issued partial self-defence measures relating to the communicated notices/orders, requesting the Company, as a way of settling the issue, the payment of a minimal amount resulting from the failure to acknowledge withholding taxes paid.

Updates 2008 - Law Decree no. 185/2008

Art. 24 of the Law Decree 185 of 29 November 2008, converted with amendments into Law no. 2 of 28 January 2009, charged the Inland Revenue Office to recover aid equivalent to unpaid taxes and related interest "in order to totally implement" the afore-mentioned decision of the commission on 5 June 2002. As for this provisions, on 30 April 2009, the Emilia Romagna Regional Management - Large Taxpayers Office, sent three assessment notices on the position of the former Meta for the 1997, 1998 and 1999 tax periods, taking duly account of indications contained in the opinion expressed by the Presidency of the Council of Minister on 28 April 2009, shared with the Attorney General, with special reference to the exclusion from the taxable basis of the following:

- profits, which were reissued into the public circuit, as they were distributed, under the form of dividends, to public bodies shareholders.
- the portion of income regarding the electricity segment (net of profits distributed and related to the electricity segment itself).

On 8 May 2009, the amount of Euro 4,823 thousand was paid. On 7 July 2009, the company lodged appeals against the assessment notices at the Bologna provincial tax commission, asking for their cancellation. The hearing for the discussion on the ruling is scheduled on 17 May 2010.
Always with reference to Art. 24 of the above-mentioned Law Decree no. 185 of 29 November 2008, as regards the position related to the former Seabo, on 12 June 2009 Hera filed before the Inland Revenue Office - Bologna 3 Office - and the Emilia Romagna Regional Management - Large Taxpayers Office, a request for partial cancellation of the notices and injunctions received on 6 April 2007 regarding tax recovery for years 1997, 1998 and 1999 on the de-taxation of profits distributed to Public Bodies, according to instructions contained in the opinion issued on 28 April 2009 by the Presidency of the Council of Ministers. As of today, the hearing to discuss on the request of cancellation has not been scheduled yet.

For a more thorough information, it should be noted that on 11 June 2009 the First-Instance Court of the European Community issued rulings regarding the appeals filed by the Italian Government, together with some companies (A2A, Acea, Iride, etc.) against the decision of the European Commission 2003/193/EC. The decisions of the European Community court rejected, or declared not receivable, all appeals filed, thus confirming the legitimacy of the above-mentioned decision of the European Commission. Hera S.p.a. did not take part in the ruling in question for none of the positions mentioned above.

Updates 2009 – Law Decree no. 135/2009

Art. 19 of the Law Decree no. 135 of 25 September 2009, published in the O.G. no. 223 of 25 September 2009, added subsection 1-bis to Art. 24 of the Law Decree no. 185 of 29 November 2008, setting out the following:

- while calculating the tax basis, for the purposes to a recover of aid equivalent to unpaid taxes and related interest, capital gains resulting from extraordinary transactions are not relevant;
- for the purposes of a correct calculation of the taxable basis, assessments issued by the Inland Revenue office can be however supplemented or increased through new notices;
- the payment of amounts due based on the above-mentioned supplementary assessments should be made within the fiftieth day after the notification date of these assessments.

On 2 October 2009, the Emilia Romagna Regional Management – Large Taxpayers Office – sent two further assessment notices for the former company Meta S.p.a., regarding the 1998 and 1999 tax periods, as a “supplement" to notices already sent on 30 April 2009, in order to cancel two deductions made and previously accepted according to the opinion, shared by the Attorney General, expressed on 28 April 2009 by the Presidency of the Council of Ministers on profits, which were reissued into the public circuit due to the distribution to public bodies shareholders, and the further portion of profits made in the electricity segment. The amounts required total Euro 22,751 thousand, of which Euro 12,590 thousand related to the capital and Euro 10,161 thousand related to interest.

On the same date, the Emilia Romagna Regional Management - Large Taxpayers Office – sent four assessment notices for the former company Seabo Spa, regarding the 1997, 1998, 1999 tax periods – first half year and 1999 – second half year, in order to adopt the remarks already expressed in the report of 17 October 2005. These remarks could not be taken into account when the notices and injunctions were issued on 6 April 2007, as, at that time, Art. 1 of the Law Decree no. 10 of 15 February 2007 granted the Inland Revenue Office powers of “simple settlement” of the income returns submitted by the taxpayer.
The amounts required for the former company Seabo, amounted to Euro 759 thousand, of which Euro 386 thousand for the capital and Euro 373 thousand for interest.
The total amounts required, by effect of the proceeding provided for by Art. 19 of the Law Decree no. 135/2009, amounted therefore to Euro 23,510 thousand, which were paid on 20 October 2009.
On 27 November 2009, the Company filed all appeals to the Bologna provincial tax commission to cancel all assessment notices of 2 October 2009, regarding the positions of both former Seabo and former Meta.
These financial statements therefore reflect the recording to income statement of the total amount of Euro 27,573 thousand. Of this amount, Euro 12,254 thousand was charged to financial charges, while the remaining Euro 15,319 thousand was charged to "Other non-operating costs", as it referred to past taxes.

15.1 Earnings per share

	Year 2009	Year 2008
Group profits (losses) for the period (A) (Euro thousands):	71,052	94,765
Weighted average number of shares in circulation		
for the purposes of calculating earnings (losses) per share:		
- base (B)	1,050,897,499	1,031,541,215
- diluted (C)	1,050,897,499	1,031,541,215
Profit (loss) per share (in Euro)		
- base (A/B)	0.068	0.092
- diluted (A/C)	0.068	0.092

Base earnings per share are calculated according to the profit attributable to holders of ordinary capital instruments of the Parent Company entity. Diluted earnings per share are equal to base earnings per share because no other categories of share, apart from ordinary shares, exist, and nor do any instruments convertible to shares. The average weighted number of the issued shares during the 2009 financial year, compared with the previous period, increased as a result of the share capital increase resolved by the parent company's Shareholders' Meeting held on 21 October 2009, for the amount of Euro 82,276,052, through the issue of new ordinary shares, reserved to shareholders: Municipality of Ferrara, Holding Ferrara Servizi Spa, Con.Ami and Area Asset Spa.

16 Tangible fixed assets

	31-Dec-2009	31-Dec-2008	Changes
Land and buildings	357.040	299.056	57.984
General plant and machinery	2.255.261	1.858.170	397.091
Other moveable assets	117.181	111.455	5.726
Work in progress and advance payments	526.230	620.453	(94.223)
Total	**3.255.712**	**2.889.134**	**366.577**

Tangible fixed assets are disclosed net of accumulated amortisation. Their composition and changes in the period are as follows:

		Land and buildings	Plant and machinery	Other moveable assets	Investments in progress	Total tangible fixed assets
Purchase cost						
Balance as at	**31/12/2008**	**362,519**	**2,545,647**	**307,542**	**620,453**	**3,836,161**
Increases		15,812	340,050	19,788	117,010	492,660
Disinvestments		(9,860)	(16,789)	(22,297)	(7)	(48,953)
Change in scope of consolidation		3,112	58,070	27,399	236	88,817
Other changes		58,993	228,362	4,365	(211,462)	80,258
Balance as at	**31/12/2009**	**430,576**	**3,155,340**	**336,797**	**526,230**	**4,448,943**
Accumulated depreciation						
Balance as at	**31/12/2008**	**63,463**	**687,477**	**196,087**	**-**	**947,027**
Depreciation for the year		8,668	142,126	27,106	-	177,900
Disinvestments		(1,943)	(13,602)	(18,145)	-	(33,690)
Change in scope of consolidation		204	12,704	13,923	-	26,831
Other changes		3,144	71,374	645	-	75,163
Balance as at	**31/12/2009**	**73,536**	**900,079**	**219,616**	**-**	**1,193,231**
Net value						
Balance as at	**31/12/2008**	**299,056**	**1,858,170**	**111,455**	**620,453**	**2,889,134**
Balance as at	**31/12/2009**	**357,040**	**2,255,261**	**117,181**	**526,230**	**3,255,712**

"Land and buildings", equal to Euro 357,040 thousand as at 31 December 2009, mainly relate to company-owned properties.
The increases include maintenance works at the company headquarters of Bologna, Forlì, Imola, Coriano, Cesena, Rimini and Cattolica and building works on the new line of the waste-to-energy plant in Forlì, in addition to the assets transferred through the above mentioned capital increase.
Decreases are mainly due to the disposal of buildings in Bologna (via Tolmino and via Laura Bassi) and of the "Gasometer Area" inside the headquarters in viale Berti Pichat.

Item "Plant and machinery", amounting to Euro 2,255,261 thousand as at 31 December 2009, mainly relates to the water, gas and electricity distribution grids and networks and waste treatment and disposal, purification and composting plants. The item, in addition to the costs for improvement to third party assets, also includes expenses incurred for the road system to the plants and the receivables due from the asset companies. The increase for the year is mainly due to the transfer of assets within the capital increase, as well as the reclassification of values from item "Franchises" included under intangible fixed assets (as a result of the expiry of some concessions relating to gas and purification services in some municipalities of the Bologna area, reference is made to description of intangible fixed assets).
The most significant decreases are mainly due to the cancellation of the portion of plant of the Modena incinerator destroyed by fire, the disposal of electricity meters in the Modena area, other corporate assets damaged by fire and telecommunication equipment.

Item "Other moveable assets", equal to Euro 117,181 thousand as at 31 December 2009, include the equipment, waste disposal bins, furniture, electronic machines, motor vehicles and motor cars. The change, compared to the previous period, is mainly due to the combined effect of decreases for sale of bins and motor vehicles used for environmental services (Euro 16,789 thousand), and increases for changes in the scope of consolidation (Euro 27,399 thousand).

Item "Investments in progress", equal to Euro 526,230 thousand as at 31 December 2009, essentially represents the costs incurred for the construction of the cogeneration plant in Imola, construction works of gas, water networks and electricity grids, new lines and enlargements of waste disposal plants in Rimini and Modena. The decrease is mainly due to the "Canal Bianco" waste-to-energy plant, in Ferrara, that underwent its final test at the beginning of 2009 and started to be depreciated in the same period, as well as to the incinerator in Forlì.

Tangible fixed assets recorded an overall increase of Euro 366,578 thousand compared to 31 December 2008. This value includes the "net change in scope of consolidation" regarding the companies Acantho Spa, Agea Reti Srl and Satcom Spa (Euro 61,986 thousand).
Please see the Report on Operations for an analysis of investments in the period.

17 Intangible fixed assets

	31-Dec-2009	31-Dec-2008	Changes
Patents and know-how	38.614	42.168	(3.554)
Licences, trademarks and similar rights	95.709	111.249	(15.540)
Work in progress and advance payments	31.898	33.251	(1.353)
Other	30.393	10.522	19.871
Total	**196.614**	**197.190**	**(576)**

Intangible fixed assets comprise:

		Industrial patent rights	Licences, trademarks and similar rights	Other	Work in progress and advance payments	Total intangible assets
PURCHASE COST						
Balance as at	**31/12/2008**	**133,108**	**242,288**	**31,430**	**33,251**	**440,077**
Increases		3,593	1,027	9,051	20,537	34,208
Disinvestments		(696)	(11)	(4,203)	(1,456)	(6,366)
Changes in scope of consolidation		321	4,252	32,163	41	36,777
Other changes		18,601	(6,061)	150	(20,475)	(7,785)
Balance as at	**31/12/2009**	**154,927**	**241,495**	**68,591**	**31,898**	**496,911**
ACCUMULATED AMORTISATION						
Balance as at	**31/12/2008**	**90,940**	**131,039**	**20,908**	**-**	**242,887**
Amortisation for the year		26,005	14,636	5,973	-	46,614
Disinvestments		(695)	(7)	(4,144)	-	(4,846)
Change in scope of consolidation		64	3,681	15,378	-	19,123
Other changes		-	(3,564)	83	-	(3,481)
Balance as at	**31/12/2009**	**116,314**	**145,785**	**38,198**	**-**	**300,297**
Net value						
Balance as at	**31/12/2008**	**42,168**	**111,249**	**10,522**	**33,251**	**197,190**
Balance as at	**31/12/2009**	**38,613**	**95,710**	**30,393**	**31,898**	**196,614**

Item "Patents and know-how", totalling Euro 38,613 thousand as at 31 December 2009, mainly relates to costs incurred for the purchase and implementation of IT systems SAP R/3 ECC6 and related application systems. These costs are amortised over five years.

Item "Licences, trademarks and similar rights" amounts to Euro 95,710 thousand as at 31 December 2009 comprises the following:

- Euro 88,618 thousand for the licences held by the parent company Hera Spa, mainly composed of the value of rights regarding gas, water, and purification plants. The decrease in this item is mainly due to the changeover from concession to ownership of assets related to the purification services in the Municipalities of San Pietro in Casale, Castel di Casio, Malalbergo and Crespellano, as well as assets related to the gas service in the Municipalities of Baricella, Castenaso, Galliera, Granarolo, Malalbergo, Pianoro e Monzuno, as provided under the related contracts on reaching the expiry dates of said concession;
- Euro 5,762 thousand from licences, trademarks and similar rights granted by the Parent Company;

Item "Other intangible assets", equal to Euro 30,393 thousand as at 31 December 2009, mainly relates to the expenses incurred for the mapping, Geographical Information System (GIS), other sundry long-term charges, rights of use of networks and infrastructures for the passage and laying of optical fibre telecommunication networks.
The increase in this item, equal to Euro 19,871 thousand compared to 31 December 2008, is mainly attributable to the change in the scope of consolidation (Acantho Spa and Satcom Spa).

Item "Work in progress", equal to Euro 31,898 thousand as at 31 December 2009, essentially represents the costs incurred for still incomplete IT projects at the date of this report. This item remained substantially unchanged compared to the previous year.

18 Goodwill

	31-Dec-2009	31-Dec-2008	Changes
Goodwill	321.838	318.175	3.663
Goodwill from consolidation procedure	56.736	54.521	2.215
Total	**378.574**	**372.696**	**5.878**

Items "Goodwill" and "Goodwill from consolidation procedure", as at 31 December 2009, amounted to Euro 378,574 thousand. The main amounts break down as follows:

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

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

The increase, compared to the previous year, equal to Euro 3,663 thousand, is mainly due to the capital increase of the subsidiary Marche Multiservizi Spa. This transaction has already been described in the section related to changes in the scope of consolidation.

The main "goodwill from consolidation procedure" arise from the following companies consolidated on a line by line basis:

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

The increase, compared to the previous year, refers to the consolidation to include the companies Acantho Spa, Euro 1,020 thousand, and Satcom Spa, Euro 1,195 thousand.

As required by the accounting standards of reference (IAS 36) goodwill undergoes impairment testing. The following table shows the allocation of this item to the cash generating unit or group of units in accordance with the maximum aggregation limits that may not exceed the business segment identified in accordance with IFRS8.

(mln €)	
Gas	107,1
Electricity	43,1
Integrated water cycle	41,1
Waste management	175,6
Other services	10,0
Structure	1,5
Total goodwill	**378,6**

Impairment therefore concerned the gas, electricity, integrated water cycle, waste management, and other services business segments. The recoverable value of the cash generating units, to which the separate goodwill was attributed, was reviewed by determining the value in use, meant as the current value of the discounted cash flows (duly discounted according to the discounted cash flow method) taken from the business plan prepared for the 2009-2013 period, approved by the Board of Directors of the parent company.. The current value of an irredeemable debenture, calculated based on last year flows and taking account, for the water cycle only, the gradual achievement of the full capital payment, as provided for by the current regulations. In the developed hypothesis, the non-renewal of concessions was taken into consideration, in an estimated percentage of 20%. At the same time, a similar percentage was considered to determine the flow, equal to the net accounting value of assets, which will be redeemed.

While drawing up the Business Plan, which consolidates the Group perspective activities, assumptions consistent with those used in previous plans were used. These assumptions were defined based on final figures, projections internally processed and compared with external sources.

The development of revenues was processed based on the evolution of tariffs for the businesses governed by business unit regulations and/or agreements with the competent Authorities. In particular, revenues from the gas distribution market are projected based on evidence arising from Resolution no. 159/08 and, as for electricity distribution, based on Resolution no. 348/07 of the Italian Authority for Electricity and Natural Gas. Revenues on the sale of gas and electricity on the non-eligible market were projected to 2013, based on Resolutions no. 64/09 and 156/07, respectively, of the Italian Authority for Electricity and Natural Gas. As for the water cycle, revenues were projected based on both the immobility of volumes distributed and the fees referring to agreements signed, or being signed when the Plan was drawn up, with the single local ATOs. As for urban hygiene, the assumption of full tariff coverage was formulated over the term of the plan on all local areas supplied, pursuant to law.

Changes in the prices of gas and electricity sold and purchased on the free market were processed based on business opinions expressed by internal bodies in charge of analysing these factors, and in compliance with the energy scenario set forth in the business plan. The latter was drawn up by a panel of institutional observers according to the best forecasts.

The development of plants for the disposal and recover activities in the waste management cycle is consistent with estimates made in the plans in the provinces where the Hera Group operates. The scheduling for the realisation of investments and the following start-up of the new plants is the result of the best estimate of technical structures, in compliance with each planning process.

Cost evolution was consistent with the projected inflation considered in the economic and financial Planning Document and, as regards staff, with indications contained in the various work contracts. Effectiveness and synergies were planned in compliance with operations that the Group has carried out over the last few years.

The investment plan is consistent with the maintenance requirements of plant efficiency. This plan is supplemented by investment and development expectations in both initiatives which grant full economic benefit at full production within the term of the Plan, and development initiatives which will grant an economic return after the term of the Plan. The single "relevant" investments were specifically evaluated as for the economic return and strategic importance in the pertaining industrial sector.

The definition process of the Plan underwent, as in past years, a wide involvement process of each single company and a deep sharing with management at various organization levels, over a period of more than 5 months.

According to the aforementioned remarks, the basic assumptions that underlined the development of the impairment test, were formulated by the management, bearing in mind the remaining lifetimes of the reference concessions, on the basis of medium/long term growth rates differentiated by single asset, which take into account the expected growth in the respective generating unit sectors (2% on average).

The rate used to discount back the flows is 6.58% after taxes.

The test results were positive, so it was unnecessary to adjust the recorded values provided above. It is worth noting that the outcome of the above mentioned procedures have been specially approved by the Board of Directors of the parent company, as recommended by provisions set forth by Consob, Bank of Italy and ISVAP.

19 Equity Investments

	31-Dec-2009	31-Dec-2008	Changes
Subsidiaries			
Consorzio Akhea	200		200
Ingenia Srl	63		63
Calor Più Italia Scrl	6	7	-1
Consorzio Energia Servizi	5	5	0
Consorzio Frullo	4	4	0
Total	**278**	**16**	**262**
Associated			
Acantho Spa		6,658	-6,658
Agea reti Srl		7,665	-7,665
Aimag Spa	35,030		35,030
Feronia Srl	883	927	-44
Dyna Green Srl	147	140	7
FlamEnergy Trading Gmbh	1,985	1,786	199
Modena Network Spa	1,177	694	483
Refri Srl	2,440	2,518	-78
Set Spa	31,048	30,018	1,030
Sgr Servizi Spa	11,720	10,147	1,573
Satcom Spa		1,992	-1,992
Sei Spa	702	702	0
So.Sel Spa	414	408	6
Tamarete Energia Srl	4,150	4,330	-180
Other minor associates	374	494	-120
Total	**90,070**	**68,479**	**21,591**
Other companies			
Ambiente Mare Spa		300	-300
Calenia Energia Spa	9,073	9,073	0
Energia Italiana Spa	13,233	13,233	0
Galsi Spa	8,022	6,981	1,041
Other minor companies	567	442	125
Total	**30,895**	**30,029**	**866**
Total equity investments	**121,243**	**98,524**	**22,719**

The most significant changes that have occurred since last year are noted below.

Equity investments in non-consolidated subsidiaries

On 19 October 2009, the subsidiaries Herambiente Srl and Akron Spa, 51% and 49%, respectively, formed the Consorzio Akhea, having its object the decontamination of sites. As at 31 December 2009, the consortium is still not operating.

On 18 December 2009, the Shareholders' Equity of Ingenia Srl resolved on the voluntary winding-up of the company, which was entirely consolidated up to the previous year. Now this company is valued at cost, taking account of its irrelevant values.

Equity investments in associated companies

Acantho Spa and Satcom Spa

The companies are consolidated on a line by line basis, while they were measured at equity until 31 December 2008.

It is worth noting that Infracomm Spa, shareholder of Acantho Spa with 47.478%, during the first half of 2009, expressed its willingness to exercise the put option (at market price) set forth by Art. 8 of the shareholders' agreements subscribed by the shareholders of the same Achanto Spa.

The agreement, signed on 14 October 2009, set out the sale of 30% share capital of Acantho Spa, 15% each in favour of Hera Spa and Conami Srl. Following this intention of Infracomm, according to which Infracomm substantially waived its rights to exercise its powers on the investee's activity, Hera Spa achieved the actual control; this control was preparatory to the line-by-line consolidation as at 1 January 2009. Within this agreement Hera therefore purchased a further 15% equity investment (at a price of Euro 3,025 thousand). Hera increased its investment to 62.44 %.

The same proceeding was followed also for the company Satcom Spa, of which Infracomm Spa holds 47.5%. In this case, as well, the exercise of the put option on 30% share capital in equal portions in favour of Hera Spa and Conami Spa, alongside the waive of Infracomm Spa to exercise its powers on the investee's activities, allowed exercising an actual control on the company, preliminary to the line-by-line consolidation, already on 1 January 2009. With an agreement signed on 14 October 2009, Hera purchased a further 15% (for Euro 825 thousand), thus increasing its equity investment to 62.5%.

Agea Reti Srl

On 1 December 2009, the share capital increase was concluded. Through this increase, the Municipality of Ferrara and the Holding Ferrara Servizi Srl, transferred 60.28% of Agea Reti Srl. This company, measured at equity in previous years, is now consolidated on a line-by-line basis.

The effects of the acquisition of the following investees are summarised hereunder

€ / 000	Acquisition of Acantho Spa	Acquisition of Satcom Spa	Acquisition of Agea Reti Spa
Fair value of acquired net assets	16.397	2.618	24.540
% acquired	14,98%	15,00%	60,28%
Pro quota purchase	2.456	393	14.793
Fair value of issued shares			13.026
Cash disbursement	3.025	825	
Accessory costs	41	13	66
Acquisition total cost	3.066	838	13.092
Effects deriving from acquisition:			
- recording of goodwill and consolidation difference	609	445	
- change in scope of consolisation	6.159	982	
- difference recorded in the consolidated financial statement			1.701

Aimag Spa

On 10 November 2009, Hera Spa purchased 16,894,420 ordinary shares of the company, corresponding to 25% of the share capital of the same company, represented by ordinary shares. These shares were held by the Municipalities shareholders of Aimag Spa, multi utility operating in the territories of Modena and Mantova. Following this transaction, the company is measured at equity.

Equity investments in other companies

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

20 Financial assets

	31-Dec-2009	31-Dec-2008	Changes
Loan receivables from associated and other companies	10.109	8.466	1.643
Receivables for mortgages to be collected and advanced commissions	425	109	316
Fixed-income securities	1	22	-21
Total	**10.535**	**8.597**	**1.938**

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

- Set Spa, Euro 4,815 thousand;
- Sei Spa, Euro 2,530 thousand.
- Oikothen Scarl, Euro 1,804 thousand;
- Modena Network Spa, Euro 960 thousand;

The increase of Euro 1,643 thousand compared to 31 December 2008, refers to the increase in loans granted to the associated companies Sei Spa, Euro 683 thousand, and Modena Network Spa, amounting to Euro 960 thousand.

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

21 Deferred tax assets

	31-Dec-2009	31-Dec-2008	Change
Receivables for prepaid taxes	60.432	48.571	11.861
Receivables for prepaid taxes IAS/IFRS	13.164	11.758	1.406
Total	**73.596**	**60.329**	**13.267**

As at 31 December 2009, deferred tax assets stood at Euro 73,596 thousand (Euro 60,329 thousand as at 31 December 2008). Prepaid taxes are generated from the temporary differences between balance sheet profit and taxable income, mainly on the taxed provision for doubtful receivables and taxed provisions for risks and charges. The increase is mainly due to the change in the scope of consolidation, Acantho Spa (Euro 5,091 thousand) and Satcom Spa (Euro 1,699 thousand).

The table below shows the breakdown and comparison with the previous year of deferred tax assets generated by the application of the IAS/IFRS principles.

	31-Dec-2009	31-Dec-2008	Changes
IAS 38 Intangible Assets	328	911	-583
IAS 37 Restoration of third-party assets and post-closure of landfills	1,161	1,201	-40
IAS16 Fixed Assets	44	186	-142
IAS17 Financial Leasing	15	16	-1
IAS19 Employee leaving indemnity and other employee benefits	1,108	1,125	-17
IAS39 Derivatives	9,231	8,319	912
IAS32 Spin-Off Costs	15		15
IFRS 3 Business Combinations	1,262	0	1,262
Total	**13,164**	**11,758**	**1,406**

The change due to "IFRS 3 Business Combinations" refers to the transfer of business units by Area Asset Spa and Con.Ami, resulting in the posting of higher or lower values in assets which are not recognised for tax purposes.

22 Financial instruments - derivatives

Non-current assets/liabilities €/000	Hedged underlying	No. of active contracts	Notional amount	Fair Value Assets	Fair Value Liabilities
Interest rate derivatives					
- Interest rate Swap	Loans	4	48.8 M	419	
- Interest rate Swap	Loans	24	715.0 M		31,956
Exchange rate derivatives					
- Cross Currency Swap	Loans	1	JPY 20 bn		8,438
Total				**419**	**40,394**

Current assets/liabilities €/000	Hedged underlying	No. of active contracts	Notional amount	Fair Value Assets	Fair Value Liabilities
Commodity derivatives					
- Swap	Crude oil	27	290,050 BBL	1,863	
- Swap	Commodities	78	230,400 TON	9,866	
- Swap	EUR/USD exchange rate	9	32,000,000 USD	680	
- Swap	Electricity formula	81	4,679,454 MWh	35,564	
- Swap	Fuel formula	4	882,360 MWh	2,226	
- Swap	Foreign gas hubs	5	1,054,080 MWh		790
- Swap	Crude oil	16	241,700 BBL		1,690
- Swap	Commodities	40	193,100 TON		8,553
- Swap	EUR/USD exchange rate	14	28,600,000 USD		660
- Swap	Electricity formula	130	6,210,055 MWh		40,450
- Swap	Fuel formula	6	394,200 MWh		2,490
Total				**50,199**	**54,633**

Derivative financial instruments classified under non-current assets amount to Euro 419 thousand, (Euro 241 thousand as at 31 December 2008), and all refer to interest rate derivatives. Derivative financial instruments classified under non-current liabilities amount to Euro 40,394 thousand, (Euro 23,571 thousand as at 31 December 2008); Euro 31,956 thousand refer to interest rate derivatives, and Euro 8,438 thousand refer to exchange rate derivatives.

The reduction in fair value, compared to the previous year, was due to unfavourable fluctuations in interest rates (within the context of hedges implemented) and to the subscription of new hedging derivatives which showed a negative fair value as at 31 December 2009, as compared to their subscription date.

Derivative financial instruments classified under current assets amount to Euro 50,199 thousand (Euro 300,387 thousand as at 31 December 2008) and relate to the positive fair values of commodity derivatives contracts in existence at the balance sheet date.

Derivative financial instruments classified under current liabilities amount to Euro 54,633 thousand (Euro 295,309 thousand as at 31 December 2008) and relate to the negative fair values of commodity derivatives contracts in existence at the date in question.

The significant decrease in the value of assets and liabilities attributable to commodity derivative contracts, compared to 31 December 2008, reflecting lower volumes treated, mainly MWh in the Electricity area, as a result of a focused strategy that, in the presence of a market situation considered more uncertain, implemented a significant reduction in the trading business and an equally conservative choice in the opening of new positions in the medium term.

The fair value used as the basis for the interest rate swap valuations was obtained from market prices. In the absence of these, the discounted cash flow method was used, taking the interest rate curve as a reference. The fair value of the commodity derivatives is calculated on the basis of market prices. All derivative contracts stipulated by the Group are with leading institutional counterparties.

Interest rate derivative instruments held as at 31 December 2009, subscribed in order to hedge loans, can be classed into the following two categories (figures in thousands of €):

Interest rate derivatives	Underlying	Notional amount	Fair Value Assets	Fair Value Liabilities	Income	Charges
- *Cash Flow Hedge*	Loans	655.6 M	0	30,690	666	17,159
- *Fair Value Hedge*	Loans	149.8 M	0	8,438	0	9,688
- *Non Hedge Accounting*	Loans	108.2 M	419	1,266	799	888
Total			**419**	**40,394**	**1,465**	**27,735**

Interest rate derivatives identified as cash flow hedges show a residual notional amount of Euro 655.6 million against variable rate mortgage loans of the same amount.

Income and charges in hedge accounting associated with interest rate derivatives predominantly refer to cash flow effects, or to the recording of shares of future flows, which shall have a financial impact in future years. As already illustrated previously with regard to the reduction in fair value, the increase in net financial charges compared with the same period in the previous year (see note 13 "Financial income and charges") is predominantly due to the unfavourable trend (in the context of hedges implemented) in interest rates and to the subscription of new hedging derivative contracts which determined an increase in the reference notional amount.

The degree of ineffectiveness of this class of interest rate derivative led to the recording of net charges totalling Euro 451 thousand in the income statement. All the hedges of the aforementioned derivative contracts and related underlying liabilities are classed as "cash flow hedges", with a specific negative reserve recorded in shareholders' equity, relating to contracts subscribed by the parent company, totalling negative Euro 13 million net of tax, with reference to contracts subscribed by other group companies, a negative reserve of Euro 7.1 million net of tax.

Interest rate derivatives identified as fair value hedges show a residual notional amount of Yen 20 billion against a loan in foreign currency of the same amount. In particular, subscription of a derivative hedging said loan led to the recording of financial charges for a total of Euro 9,688 thousand. In parallel, however, a fair value assessment of the underlying loan was performed, recording financial income for a total of Euro 8,657 thousand.

The remaining interest rate derivatives not in the hedge accounting have a notional residual value of Euro 108.2 million; most of these contracts are the result of mirroring transactions carried out in previous years as part of a restructuring of the derivatives portfolio.

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

Commodity derivative instruments held as at 31 December 2009 can be classed into the following two categories (figures in thousands of €):

Commodity derivatives	Fair Value Assets	Fair Value Liabilities	Income	Charges
- Cash Flow Hedge	0	0	5,055	3,285
- Non Hedge Accounting	50,199	54,633	383,617	367,695
Total	**50,199**	**54,633**	**388,672**	**370,980**

Commodity derivatives recorded under hedge accounting were all closed as at 31 December 2009.
Commodity derivatives recorded in non-hedge accounting also include contracts entered into with substantial hedging objectives. These contracts, which under strict international criteria set down in the international principles cannot be dealt with under hedge accounting, nevertheless generate income and charges relating to the higher/lower purchase cost of raw materials and as such are classified as operating costs.
On the whole, in 2009, the commodity derivatives generated Euro 388,672 thousand in income and Euro 370,980 thousand in charges, for a net gain to the income statement of Euro 17,692 thousand. See comments in note 6 of the income statement.

Interest rate risk and currency risk

The Group's financial requirements are met also by turning to outside resources in the form of debt. The cost of the various forms of borrowing can be affected by market interest rates fluctuation, with a consequent impact on the amount of the net financial charges. In the case of loans denominated in foreign currency, the cost may also be affected by exchange rate fluctuations with an additional effect on net financial expense.

To mitigate interest rate volatility risk, the Group has stipulated derivative instruments on rates against part of its financial liabilities. At the same time, to mitigate exchange rate volatility risk, the Group has stipulated foreign exchange derivatives to fully hedge loans in foreign currency.

Sensitivity Analysis

In conjecturing an instant shift of -50-basis points in the interest rate curve with respect to the interest rate effectively applied for the assessments as at 31 December 2009, the potential loss in fair value of the derivative financial instruments on existing interest rates would amount to roughly Euro 7.4 million. Likewise, conjecturing an instant shift of +50-basis points in the interest rate curve, there would be a potential increase in fair value of about Euro 7.2 million.

These fair value changes would have no effect on the income statement if it were not for the potential ineffective portion of the hedge, as they refer to financial derivative instruments classified under hedge accounting. As for foreign exchange derivatives, these fair value changes would have no effect on the income statement, except for that limited to the ineffective portion of the hedge, since they are offset by a change in the fair value of the underlying liabilities being hedged, in the opposite sign.

The effects on the income statement of the fair value changes of the instruments not in hedge accounting, as they almost entirely undergo mirroring transactions, would be insignificant.

Market risk

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

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

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

Sensitivity Analysis

In conjecturing an instant 10 dollar-per-barrel rise in the Brent price, with no change in the Euro/Dollar exchange rate, the potential increase in the fair value of derivative financial instruments held as at 31 December 2009 would amount to approximately Euro 5.4 million. Likewise, an instant fall in the same amount would bring about a potential decrease in the fair value of the instruments of around Euro 5.3 million.

In conjecturing an instant rise in the exchange rate of 0.05 dollars per Euro, with no change in the Brent price, the potential increase in the fair value of derivative financial instruments held as at 31 December 2009 would amount to approximately Euro 2.5 million. Likewise, an instant fall in the exchange rate of 0.05 per Euro would bring about a potential increase in the fair value of the instruments of around Euro 2.6 million.

23 Inventories

	31-Dec-2009	31-Dec-2008	Change
Raw materials and stock	41,185	54,194	-13,009
Intermediate goods	132	247	-115
Finished products	823	218	605
Advance payments	4,928	6,076	-1,148
Total	**47,068**	**60,735**	**-13,667**

Inventories as at 31 December 2009 are stated net of an obsolescence provision amounting to Euro 661 thousand (Euro 702 thousand as at 31 December 2008). Inventories of raw materials and stocks are made up mainly of spare parts and equipment used for the maintenance and running of operating plants and gas stocks. The decrease compared with 31 December 2008 is mainly due to lower stocks.

The item “Advance payments", amounting to Euro 4,928 thousand, relates to advance payments on gas supply.

24 Trade receivables

	31-Dec-2009	31-Dec-2008	Changes
Trade receivables	516,410	506,534	9,876
Trade receivables for invoices to be issued	607,869	616,201	-8,332
Receivables from associated companies	12,797	38,560	-25,763
Total	**1,137,076**	**1,161,295**	**-24,219**

Trade receivables as at 31 December 2009 total Euro 1,137,076 thousand (Euro 1,161,295 thousand as at 31 December 2008) and include estimated consumption, for the portion pertaining to the period, relating to bills and invoices to be issued after 31 December 2009. Receivables are stated net of a provision for doubtful receivables of Euro 66,623 thousand (Euro 52,010 thousand as at 31 December 2008) deemed fair and prudent in relation to the estimated realisable value of said receivables.

The following gives the movements of the provisions for doubtful receivables during the year.

	31-Dec-2008	Change in the scope of consolidation	Provisions	Drawdowns and other movements	31-Dec-2009
Provisions for doubtful receivables	52,010	218	26,352	-11,956	66,624

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

The Euro 218 thousand changes in the scope of consolidation included:

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

The item “receivables from associated companies” fell by Euro 25,763 thousand compared to 31 December 2008.

The most significant changes relate to companies Acantho Spa, Satcom Spa and Prigeas Spa, amounting to Euro 28,188 thousand and Set Spa for Euro 3,627 thousand. At the same time, Sgr Servizi Spa shows an increase of Euro 6,085 thousand.

Credit risk

The book value of trade receivables shown in the financial statements is maximum theoretical exposure to credit risk for the Group as at 31 December 2009. Even if not standardised, a customer credit management procedure exists that provides for individual evaluations to be made. This modus operandi makes it possible to reduce the concentration and exposure to credit risk posed by both business and private customers.

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

With regard to customers as at 31 December 2009, trade receivables can be broken down into the following classes:

	Institutions	Business	Mass Market	Total
Amount	83,245	197,268	235,897	516,410
Incidence	16%	38%	46%	100%

With regard to customers as at 31 December 2008, trade receivables can be broken down into the following classes:

	Institutions	Business	Mass Market	Total
Amount	107,436	202,664	196,434	506,534
Incidence	21%	40%	39%	100%

25 Contract work in progress

	31-Dec-2009	31-dic-08	Change
Contract work in progress	19,904	21,704	-1,800
Total	**19,904**	**21,704**	**-1,800**

As at 31 December 2009, contract work in progress recorded a balance of Euro 19,904 thousand and concerned work on third party plants lasting several years.

26 Financial assets

	31-Dec-2009	31-Dec-2008	Changes
Receivables for mortgages to be collected	376	407	-31
Financial receivables from associated companies	13,384		13,384
Portfolio securities and financial policies	7,274	6,794	480
Receivables for loans given to others	756	454	302
Total	**21,790**	**7,655**	**14,135**

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

- Tamarete Energia Srl, Euro 12,484 thousand;
- Modena Network Spa, Euro 900 thousand.

The item "portfolio securities and financial policies" comprises insurance and investment policies totalling Euro 3,274 thousand and subscriptions of bonds and other securities amounting to Euro 4,000 thousand.

27 Other current assets

	31-Dec-2009	31-Dec-2008	Changes
Energy efficiency bonds and emissions trading	51,843	21,091	30,752
Guarantee deposits	21,857	20,960	897
Equalization fund for the electricity and gas sectors, for equalization and service continuity income	20,959	15,778	5,181
VAT, excise and additional taxes	16,239	10,723	5,516
Sundry tax receivables	9,807	5,180	4,627
Contributions	6,994	8,233	-1,239
Advances to suppliers/employees	6,181	5,856	325
Costs advanced for substitute tax	5,431	7,228	-1,797
Costs advanced for leases and rentals	3,555	456	3,099
Insurance costs	2,469	2,885	-416
Prepaid costs from asset companies	1,731	1,731	0
Advances for direct taxes	1,182	3,271	-2,089
Receivables due from municipalities for tax moratorium	1,082	1,783	-701
Receivables due from Social Security	805	986	-181
Withholdings on interest income	91	115	-24
Insurance reimbursements	59	144	-85
Other receivables	28,607	27,205	1,402
Total	**178,892**	**133,625**	**45,267**

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

- green certificates, Euro 27,691 thousand;
- white certificates, Euro 19,786 thousand;
- grey certificates, Euro 4,366 thousand.

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

It should be noted that the Group accounted for the green certificates regarding the WTE of Ferrara for a total mount accrued for years 2008 and 2009, equal to Euro 13,299 thousand, This accounting was made based on disposals provided for by art. 1, subsection 1117 and 1118 of Law no. 296/2006 (2007 Financial Bill). In this table, the Administration body recognises the incentives in favour of electricity power plants from renewable sources and sources assimilated to renewable sources, without making any distinction between organic and inorganic portion of waste, safeguarding the purchase right of plants, as the one located in Ferrara, which was compliant with all terms provided for by the same law at the date of enforcement of the financial bill itself (1 January 2007). In particular: a) signature of the special agreement with Gse b) almost completed plant and c) necessary authorisations.

Guarantee deposits include:

- the deposit made to Acosea Impianti Srl for Euro 12,000 thousand;
- other minor deposits in favour of public institutions and companies, Euro 3,417 thousand;
- deposits in favour of the tax authority (Ufficio Tecnico Erariale), Euro 2,100 thousand;
- deposits in favour of GSE, Euro 4,340 thousand.

As regards the position towards the "Equalisation Fund for the Electricity Sector", the increase in receivables is related to the new tariff system, as part of gas distribution activities, introduced by Italian Authority for Electricity and Natural Gas Resolution No. 158/08. Based on said procedure, accrued revenue is obtained by comparing the "restriction on permitted revenues", regardless of the volumes supplied and the volumes actually invoiced.

The Item "VAT, excise and additional taxes", amounting to Euro 16,239 thousand, consists of VAT credits, for Euro 2,691 thousand, and of excise and additional taxes, for Euro 13,548 thousand. The change compared to 31 December 2008 is due to a combination of higher excise and additional taxes for Euro 13,091 thousand and lower VAT credits for Euro 7,575 thousand (due on 31 December 2008). To understand these changes, particularly with regard to excise duties and additional components, note must be taken of the procedures that govern financial relations with the Tax Authorities, reference is also made to note 36 “tax liabilities”. In particular, advance payments during the year were calculated according to quantities of gas and electricity billed in the previous year. Using these methods, credit/debit positions can be generated with differences that are also significant between one period and another.

“Sundry tax receivables” total Euro 9,807 thousand and consist mainly of tax receivables for district heating. The increase compared to the 31 December 2008 was due to the reform introduced by Article 1, paragraph 53 of Law No. 244 dated 24 December 2007. In particular, as of 1 January 2008, the utilisation of such receivables is limited to Euro 250,000 annually, while any surplus amounts available for offsetting only three years after the year in which the surplus was generated.

“Receivables due from Social Security”, amounting to Euro 6,994 thousand, chiefly relate to payments to a sinking fund by various Entities, but still to be collected as at the year end.

The item “Advances for direct taxes” (IRES and IRAP – Corporate Income Tax and Regional Income Tax) amounting to Euro 1,182 thousand are made up mainly of advance payments made.

Illustrated below are the reclassifications with respect to 31 December 2008:

Other current assets	31-Dec-2008 published	Reclassified	31-Dec-2008 reclassified
Energy efficiency bonds and emission trading	0	21,091	21,091
Equalization fund for the electricity and gas sectors, for equalization and service continuity income	11,715	4,063	15,778
Costs advanced for substitute tax	0	7,228	7,228
Costs advanced for leases and rentals	0	456	456
Insurance costs	0	2,885	2,885
Costs due from asset companies	0	1,731	1,731
Receivables due from Municipality for tax moratorium	0	1,783	1,783
Other receivables	66,442	-39,237	27,205
Total	**78,157**	**0**	**78,157**

28 Cash and cash equivalents

As at 31 December 2009, cash and cash equivalents totalled Euro 350,332 thousand (Euro 193,635 thousand as at 31 December 2008), and include cash, cash equivalents, and bank cheques and drafts held in centralised and decentralised accounts for a total of Euro 183 thousand; and bank and financial institution deposits available for current transactions and post office accounts totalling Euro 350,149 thousand.

The increase compared to the previous year is attributable to the financial resources contributed by the bond issued in November 2009.

Classification of financial assets and liabilities pursuant to IFRS 7

The following table illustrates the composition of Group assets by measurement class. The fair value of the derivatives is instead itemized in Note 22.

31-Dec-2009	Fair value in income statement	Receivables and Loans	Held to maturity	Held for sale	Total
Non-current assets		**10,534**		**1**	**10,535**
Financial assets measured at fair value				1	1
Non-current receivables due from related parties		10,108			10,108
Receivables		426			426
Current assets	**32,057**	**1,298,427**		**7,274**	**1,337,758**
Trade receivables		1,137,076			1,137,076
Financial assets measured at fair value				7,274	7,274
Financial receivables		14,516			14,516
Other assets	32,057	146,835			178,892

31-Dec-2008	Fair value in income statement	Receivables and Loans	Held to maturity	Held for sale	Total
Non-current assets		**8,575**		**22**	**8,597**
Financial assets measured at fair value				22	22
Non-current receivables due from related parties		8,466			8,466
Receivables		109			109
Current assets	**21,091**	**1,274,690**		**6,794**	**1,302,575**
Trade receivables		1,161,295			1,161,295
Financial assets measured at fair value				6,794	6,794
Financial receivables		861			861
Other assets	21,091	112,534			133,625

With regard to "non-current assets", please see the itemization in Note 20.
With regard to "current assets", please see the itemization in Notes 24, 26 and 27.

The following table illustrates the composition of Group liabilities by measurement class. The fair value of the derivatives is instead itemized in Note 22.

31-Dec-2009	Hedged items (fair value hedge)	Amortised Cost	Total
Non-current liabilities	**141,111**	**2,013,125**	**2,154,236**
Loans	141,111	2,003,746	2,144,857
Financial leasing payables		9,379	9,379
Current liabilities		**1,168,401**	**1,168,401**
Loans		113,039	113,039
Financial leasing payables		7,148	7,148
Trade payables		1,048,214	1,048,214

31-Dec-2008	Fair value in income statement	Receivables and loans	Total
Non-current liabilities		**1,571,833**	**1,571,833**
Loans		1,560,658	1,560,658
Financial leasing payables		11,175	11,175
Current liabilities		**1,293,982**	**1,293,982**
Loans		204,818	204,818
Financial leasing payables		4,737	4,737
Trade payables		1,084,427	1,084,427

With regard to "non-current liabilities", please see the itemization in Notes 30 and 34.
With regard to "current liabilities", please see the itemization in Notes 30, 34 and 35.

29 Share capital and reserves

Share capital

The share capital as at 31 December 2009 was Euro 1,115,013,754, fully paid-up, and represented by 1,115,013,754 ordinary shares with a par value of Euro 1 each.

The General Shareholders' Meeting of Hera Spa on 21 October 2009 approved a capital increase from Euro 1,032,737,702 to Euro 1,115,013,754, therefore, totalling Euro 82,276,052, through the issue of 82,276,052 ordinary shares reserved for the following shareholders: Municipality of Ferrara, Holding Ferrara Servizi Spa, Con.Ami and Area Asset Spa. For a fuller description of the transaction, please see the introduction.

Reserves for treasury shares

The item "reserve for treasury shares at par value" has a negative value of Euro 2,893 thousand; it reflects the number of treasury shares in the portfolio as at 31 December 2009 and is considered a reduction of share capital. "Reserve for gains/losses on sale of treasury shares" and "reserve for treasury shares exceeding par value" are recorded among the shareholders' equity reserves for a positive value of Euro 209 thousand and a negative value of Euro 1,948 thousand, respectively. These reserves, established in compliance with the accounting standards of reference, reflect the treasury shares transactions carried out as at 31 December 2009. The change during the year generated losses amounting to Euro 597 thousand, attributed directly to shareholders' equity reserves.

Reserves

The item Reserves equal to Euro 472,108 thousand includes the following reserves:

- legal for Euro 22,928 thousand,
- extraordinary for Euro 13,593 thousand,
- revaluation for Euro 4,356 thousand,
- share premium reserve for Euro 15,269 thousand,
- capital account payments for Euro 5,400 thousand,
- retained earnings for Euro 52,456 thousand,
- share swap surplus for Euro 42,408 thousand,
- IFRS3 reserve for Euro 227,008 thousand, deriving from the integrations of Agea Spa, Meta Spa, Geat Distribuzione Gas Spa, Sat Spa, Agea Reti Srl, Con.Ami and Area Assets Spa;
- IAS/IFRS reserve for Euro 88,432 thousand, generated after adoption of international accounting standards;
- reserve for dividends received on treasury shares for Euro 258 thousand.

Cash Flow-Hedge Reserve

As at 31 December 2009, this reserve had a negative balance of Euro 12,995 thousand following changes determined by fair value valuation of reference derivatives.

The statement of changes in shareholders' equity is shown in section 2.01.04 of these consolidated financial statements.

30 Payables to banks and medium/long- and short-term financing

As at 31 December 2009, medium/long term loans totalled Euro 2,144,857 thousand (Euro 1,560,658 thousand as at 31 December 2008), and relate to mortgages and loans of Euro 513,333 thousand and the bond issues of Euro 1,631,524 thousand.

Medium/long-term amounts due to banks also include loans subscribed by the subsidiary Fea Srl for a total of Euro 65,500 thousand. These loans are guaranteed by mortgages and special privileges for the banking pool underwriting the loan. Repayment, expiring on 30 June 2019, is established under contract in half-yearly floating rate instalments indexed to the 6-month Euribor rate.

The list below shows the main mortgages existing as at 31 December 2009:

Provider Institution	*Residual amount 31-Dec-2009*	*Instalment in current period*	*Instalment within 5th year*	*Instalmente after 5th year*
UNICREDIT BANCA	38,250,000.00	5,500,000.00	13,485,000.00	19,265,000.00
BANCA INTESA	15,300,000.00	2,200,000.00	5,394,000.00	7,706,000.00
BANCA INTESA	7,650,000.00	1,100,000.00	2,697,000.00	3,853,000.00
BANCA POPOLARE DI MILANO	15,300,000.00	2,200,000.00	5,394,000.00	7,706,000.00
BANCA INTESA	5,343,750.00	1,187,500.00	4,156,250.00	
EFIBANCA	5,681,025.97	1,032,913.80	4,131,655.20	516,456.97
CASSA DI RISPARMIO DI CENTO	5,201,893.28	594,436.39	2,532,798.07	2,074,658.82
BANCA DI ROMAGNA	301,907.77	144,452.22	157,455.55	-
BANCA DI IMOLA	1,452,853.33	388,853.40	1,063,999.93	-
B.CR. COOPERATIVO RAVENNATE E IMOLESE	2,517,500.00	530,000.00	1,987,500.00	-
BANCO DI SARDEGNA	9,408,116.06	938,936.18	5,288,304.91	3,180,874.97
CASSA DEPOSITI E PRESTITI	165,734.42	14,677.85	86,616.61	64,439.96
BANCA INTESA	3,388,834.76	238,017.44	1,292,568.54	1,858,248.78
CARIM S.P.A.	3,679,701.19	393,014.90	2,243,400.04	1,043,286.25
BANCA DELLE MARCHE	16,254,581.76	833,774.16	4,060,349.50	11,360,458.10
BANCA DELL'ADRIATICO SPA	674,823.28	106,669.31	278,712.49	289,441.48
CARIFANO SPA	847,709.30	184,145.82	663,563.48	-
B.CR. COOPERATIVO DEL METAURO	368,823.10	85,458.71	283,364.39	
B.CR. COOPERATIVO RAVENNATE E IMOLESE	4,326,660.00	1,591,789.00	2,060,278.00	674,593.00
B.CR. COOPERATIVO RAVENNATE E IMOLESE	1,823,552.34	170,327.02	809,393.32	843,832.00
BANCA DI BOLOGNA	743,613.00	159,289.00	584,324.00	-
BANCA POP. VERONA E NOVARA	160,000.00	160,000.00	-	-
UNICREDIT BANCA	250,000.00	250,000.00	-	-
BANCA INTESA	10,950,491.08	2,196,948.07	8,753,543.01	-
CASSA DEPOSITI E PRESTITI	490,695.68	85,991.12	238,523.20	166,181.36
UNICREDIT BANCA	3,254,756.08	590,796.49	2,663,959.59	-
BANCA DELLE MARCHE	313,034.99	205,954.40	107,080.59	-
BANCA INTESA	60,061,525.38	24,157,917.95	28,510,889.81	7,392,717.62
BANCA POP. VERONA E NOVARA	799,166.70	799,166.70	-	-
BEI	180,000,000.00	-	-	180,000,000.00
BNL	11,250,000.00	1,500,000.00	6,000,000.00	3,750,000.00
CARISBO	3,761,537.42	919,565.00	2,841,972.42	-
CASSA DI RISP. DI CESENA	1,967,233.56	282,302.18	1,202,269.23	482,662.15
CASSA DI RISP. DI RAVENNA	1,701,742.16	101,433.52	458,752.31	1,141,556.33
DEXIA CREDIOP	32,142,857.15	7,142,857.14	25,000,000.01	-
FON SPA	3,426,059.03	621,891.05	2,804,167.98	-
ISTITUTO SAN PAOLO	1,315,495.96	354,588.50	613,449.38	347,458.08
MONTE DEI PASCHI DI SIENA	4,619,028.00	2,274,107.61	2,344,920.39	-
UNICREDIT BANCA	2,438,659.72	1,895,843.17	542,816.55	-
CASSA DEPOSITI E PRESTITI	19,823,118.88	3,291,037.55	10,353,476.68	6,178,604.65
	477,406,481.35	**66,424,655.65**	**151,086,355.18**	**259,895,470.52**

On 16 February 2006, parent company issued a Euro 500 million 10-year Eurobond repayable in full on maturity. The loan is regulated by 4.125% fixed rate annual warrants.

During 2007, the parent company issued or underwrote the following bonds or loans.

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

In 2008, Hera SpA issued an additional “puttable, callable, resettable" bond organised with Banca IMI, BNP Paribas, and The Royal Bank of Scotland for Euro 200 million, extendable to Euro 250 million, expiring in 2031. The terms for exercising the call and put options envisaged in the structure and transferred to third parties point out that the transaction as a whole is basically a fixed-rate loan, both during the first three years and during the years that follow, should the call option be exercised, without prejudice to the possibility of early repayment if bondholders exercise the put option. The contractual terms of this loan are therefore similar to the other "put bonds" stipulated by the Group. It is therefore thought to calculate this loan at amortised cost according to the same procedures adopted for the above-mentioned loans, which are similar.

The above-mentioned bond loans and loans incorporate put options meeting the criteria specifying that that need not be valued independently according to the instructions given in IAS 39, paragraph AG30, letter g.

In late July 2009, Hera SpA issued a Japanese Yen 20 billion 15-year bond simultaneously hedged in Euro, for a total value of around Euro 150 million, in order to eliminate the exchange rate risks. The bond was fully subscribed by a single investor and settled by 2.925% fixed rate semi-annual coupons. The exchange risk on this bond was hedged through the signature of a Cross Currency Swap, which recognises to Hera the amounts in yen of the bond, both as interest and upon expiration as capital account. In the Swap, Hera pays amounts in Euro on the notional, at a 3-month Euribor rate, added with a spread of 2.38 percentage points.

Towards the end of November 2009, Hera Spa issued a Euro 500 million 10-year Eurobond repayable in full on maturity. The loan was placed at a price of Euro 99.28 and is settled by 4.5% fixed rate annual coupons.

The valuation of these transactions according to the amortised cost entailed entering interest expense equal to Euro 13,360 thousand (Euro 2,563 thousand at 31 December 2008).

For a full description of these transactions, please refer to the “Financial Policy and Rating” section of the Report on Operations.

As at 31 December 2009, short term loans totalled Euro 113,039 thousand (Euro 204,818 thousand as at 31 December 2008) and include payables to banks and other lenders.

Liquidity risk

Liquidity risk consists of the impossibility to cope with the financial obligations taken on due to a lack of internal resources or an inability to find external resources at acceptable costs. Liquidity risk is mitigated by adopting policies and procedures that maximise the efficiency of management of financial resources. For the most part, this is done with the centralised management of incoming and outgoing flows (centralised treasury service); in the perspective assessment of the liquidity conditions; in obtaining adequate lines of credit; and preserving an adequate amount of liquidity.

Current cash, cash equivalents, and credit facilities, in addition to the resources generated by the operating and financing activities, are deemed sufficient to meet future financial needs. In particular, as at 31 December 2009, there are unused credit lines totalling Euro 1,238,772 thousand.

31 Employee leaving indemnity and other employee benefits

This includes provision for employee leaving indemnities and other contractual benefits, net of advances paid out and payments made to the social security institutions pursuant to current regulations. The calculation is made using actuarial techniques and discounting future liabilities to the balance sheet date. These liabilities consist of the credit, which the employees will accrue as of the date they will presumably leave the company.

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

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

The table below shows the changes in the above provisions during the year.

	31-Dec-2008	Provisions		Uses and other Movements	Changes in scope of consolidation	31-Dec-2009
		Provisions	Financial charges			
Employee Leaving Indemnity Prov.	96,905	403	2,706	-7,959	503	92,558
Gas Discount	2,690	6	76	-299		2,473
Premugas Fund	2,788	174	112	-488		2,586
Tariff Reduction Provision	3,405	292	136	-433		3,400
Total	**105,788**	**875**	**3,030**	**-9,179**	**503**	**101,017**

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

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

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

	31-Dec-2009	31-Dec-2008
Average discount rate	4.52%	4.68%
Average increase rate in labour costs	3.50%	3.50%

32 Provisions for risks and charges

	31-Dec-2008	Provisions		Uses and other Movements	Changes in the scope of consolidation	31-Dec-2009
		Provisions	Financial charges			
Provision for the restoration of third-party assets	80,476	11,286	7,514	-29371		69,905
Landfill closure and post-closure cost provision	79,266	4,645	5,675	-4229		85,357
Provision for staff disputes and legal costs	14,856	2,443	0	-876		16,423
Other provisions for risks and charges	19,191	6,733	0	-11590	**181**	14,515
Total	**193,789**	**25,107**	**13,189**	**-46,066**	**181**	**186,200**

The **provision for the restoration of third-party assets** equal to Euro 69,905 thousand includes the provisions made in relation to the legal and contractual restrictions encumbering the parent company and the subsidiaries Marche Multiservizi Spa and Herambiente Srl, in their capacity as leaseholders of the distribution networks owned by the asset companies. These provisions have been made on the basis of the normal depreciation rates envisaged for the assets in question; rates established contractually for the purpose of compensating the lessor companies for the wear and tear of the assets used for the business activities, applied to the value of the assets received under lease.

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

The significant decrease seen during the year is attributable to the termination, with effect from 1 July 2009, of existing leases with the asset companies Con.Ami and Areas Asset Spa. This termination was in preparation for the transfer of assets by the same companies as part of the share capital increase transaction mentioned in the introduction.

The **landfill closure and post-closure cost provision,** equal to Euro 85,357 thousand, represents the amount set aside by the Group to cover the costs, which will have to be incurred for the management of the closure and post-closure period pertaining to the landfills currently in use. The future outlays, calculated for each landfill by means of a specific appraisal, have been discounted back in compliance with the provisions of IAS 37. The increases in the provision comprise the financial component inferred from the discounting back procedure, while the uses represent the effective outlays, which came about during the year.
“Uses and other movements” decreased by Euro 4,229 thousand, consisting of Euro 7,045 thousand related to the use of the provision for closed landfills, of which Euro 2,366 thousand was recorded with a balancing entry among "other revenues" (please refer to Note 5 of the income statement), in relation to internal costs primarily for labour and resources use. Finally, we note an increase of Euro 2,816 thousand in the provision, mainly due to a new landfill acquired by a subsidiary.

The **provision for staff disputes and legal costs** amounting to Euro 16,423 thousand reflects the assessments of the outcome of lawsuits and disputes brought by employees.

The provisions also include Euro 6,062 thousand relating to the dispute pending with INPS with regard to the demand for payment of contributions on social security benefits (CIG, CIGS, mobility) and on the reduction of contribution rates for family allowances (CUAF) and for the maternity contribution with regard to employees governed by the electricity sector collective labour agreement in the Modena area.

In relation to the contributions on **CIG, CIGS and mobility**, the Hera Group deems that said contribution is not due, not only based on legal rules but also on the fundamental consideration that these social shock absorbers are effectively unusable since the Group runs essential services, which must be constantly insured.

By contrast, INPS believes that the transformation into a joint-stock company and the transfer to private parties of even just a portion of the share capital, support the belief that the contributory obligation is enforceable.

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

The Group claim that is exempt from the CIG and GIGS contribution payment was confirmed in 2004 by order of the Court of Genoa, but later overturned by the court of appeal in November 2005. In December 2006, the Ravenna Employment Tribunal upheld two petitions for Hera Ravenna Srl and Hera Spa and declared the contributions for involuntary unemployment, CIG, CIGS, and mobility not due, unlike what INPS claimed.

Following a declaratory action brought in 2000 by Amir Spa, Hera Spa submitted an appeal to the Supreme Court, which was concluded with ruling 14847/09 rejecting the appeal for CIG contributions, and referring the case to the court of appeal for Mobility contribution. However, an additional proceeding is pending in the Supreme Court, unrelated to the Hera Group, from the Court of Appeal of Genoa. The Supreme Court may therefore review the position, with effects also on first instance proceedings. At the very least, it should confirm the waiver of contributions to the redundancy fund (CIG) prior to May 2005, according to the specific opinion of the State Council.

In addition, it should also be noted that the INPS shall not file any new claims regarding CIG, CIGS, or Mobility following the new classification in the Service sector, from 2010, of nearly all the Group companies (the contribution in question shall only apply to the Industrial sector).

Regarding the contribution for **family allowances (Cuaf)** and the **maternity contribution,** this type of litigation only concerns the INPDAP personnel regulated by the electricity sector collective labour agreement, and is based on the interpretation of Article. 41 of Law 488/1999 (Finance Act 2000). In particular, this litigation only applies to the territory of Modena, deriving from the former Meta Spa. Following consultation at the time with the Modena INPS Positions Management Office, the former Meta Spa applied reduced rates starting in 2001, at the same time it requested reimbursement of the greater contributions it had paid in, but which were not due, regarding financial year 2000 (reimbursement that then was actually made between 2001 and 2002).
As from November 2003, however, INPS served the notices by means of which it requested the payments of the contributions at the full rate, completely amending the interpretative position previously adopted, deeming that the reduction of the CUAF and maternity rates owed by the electricity sector was not applicable for the workers enrolled with INPDAP. Meanwhile, this reduction was applied without objection in the case of the Enel Spa Group companies. The contribution differential for Cuaf and Maternity that service companies have to pay for personnel registered with INPDAP is equivalent to a total of 4.29% more than what has to be paid for INPS personnel.
This higher rate is a serious penalisation for the “former municipal enterprises” with respect to other market operators. Confservizi has brought this failed contribution harmonisation consequent to Law 335/1995 to the attention of the Employment Ministry several times, which in turn has consulted the Council of State. The Council deemed a special legislative initiative necessary (circular no. 88 of 31 May 2004), which rules out the possibility of an administrative solution. In spite of Confservizi’s efforts to push through this legislative initiative, as of today no result is yet to be seen.

Finally, a note on the evolution of the regulatory framework for **Unemployment and Sickness** contributions. Law Decree 112/2008 - art. 20 has forfeited any past INPS claims relating to Unemployment and Sickness contribution. The portion of contributions contained in these filings for such purposes is no longer considered a risk. In addition, there may be no new INPS claims as all Hera Group companies have regularly paid the Sickness contribution since 2005 and the Unemployment contribution since 2009.

In view of the information reported above, a prudential allocation of Euro 6,062 thousand was made to the aforementioned provision, which takes into account the filings already paid for and any liabilities deriving from the suspended filings currently received, amounting to approximately Euro 20.90 million. This amount refers to the contributions contained in the filings by way of CIG, CIGS Mobility, CUAF and Maternity, excluding however the portion by way of Unemployment and Sickness contributions for the above reasons.
This fund is deemed to be appropriate, in view of both the likely development of the litigation and the opinions of the appointed legal advisors.

The **provision for risks and charges**, amounting to Euro 14,515 thousand, comprises provisions made against sundry risks. The main items are summarised below:

- Euro 1,697 thousand relates to the MIS quota for charges for electrical service continuity and equalization;
- Euro 2,104 thousand relates to expenses of restoration of freely transferable assets of the Rosola river aqueduct system under concession;
- Euro 2,546 thousand relates to the provision made in relation to customer compensation for water service leaks;
- Euro 1,623 thousand relates to the provision known as "Valle Savio", established to address the works for the community adjacent to the Busca landfill, in the municipality of Cesena, as required by the concession contract;
- Euro 1,719 thousand relates to the provision for the cost of disposal of waste stored at some Group plants;
- Euro 2,212 thousand relates to the provision made in relation to the possible effects of Italian Authority for Electricity and Natural Gas resolution no. 89/08 (79/07), which creates an obligation on the part of companies selling gas, of a financial payout to final customers under OTB (base tariff option) for the period referred to in the first half of 2006. The same companies have been accorded a part of these expenses from merchants wholesalers, as well as re-negotiated with shippers about the existing conditions of raw material supply. The amount outstanding as at 31 December 2009 corresponds to the more prudent scenario in relation to that which may be granted to the end customers. The decrease over the previous period (Euro 2,600 thousand) is due to adjustments granted to existing customers.

33 Deferred tax liabilities

	31-Dec-2009	31-Dec-2008	Change
Deferred tax liabilities	42,350	5,289	37,061
Other IAS/IFRS deferred liabilities	90,451	116,165	-25,714
Total	**132,801**	**121,454**	**11,347**

Deferred tax liabilities are generated by temporary differences between the balance sheet profit and taxable income. The increase over the previous year is only attributable to a different classification than that recorded as at 31 December 2008 between the deferred tax effects resulting from IAS/IFRS (please see the item fixed assets, IAS 16).

Deferred tax payables generated by IAS/IFRS effects are reported separately. These liabilities refer to application of the following principles:

	31-Dec-2009	31-Dec-2008	Change
IAS 38 Intangible Assets	5	0	5
IAS 37 Restoration of third-party assets and landfill post-closure	25,929	34,152	-8,223
IAS 16 Fixed Assets	35,656	69,521	-33,865
IAS 17 Financial Leasing	4,304	5,158	-854
IAS 19 Employee leaving indemnity and other employee benefits	5,304	5,185	119
IAS 39 Derivatives	1,691	2,149	-458
IFRS 3 Business Combinations	17,561	0	17,561
Total	**90,450**	**116,165**	**-25,715**

The decrease in the provision for deferred taxes compared to the provision for restoration of third party assets is attributable to the consensual resolution of leasehold contracts of business lines with the companies Area Asset Spa and Con.Ami occurred on 29 July 2009; the effect of these resolutions, as the balance, or repayment liability, of the tenant against the grantor, was lower than the provision for restoration allocated on the financial statements, generating extraordinary income for the difference, subject to tax, Therefore, the reversal effect of the accumulated IAS difference on this provision for restoration has been considered all in one year, with the simultaneous absorption of deferred taxes already entered in the financial statements.

The increase in deferred tax relating to the IFRS3 transaction is due to the transfer of the respective business units by Area Asset Spa and Con.Ami, leading to the posting of higher and lower values for assets which are not recognised for tax purposes.

34 Financial leasing payables

	31-Dec-2009	31-Dec-2008	Change
Financial leasing payables	16,527	15,912	615
Total	**16,527**	**15,912**	**615**

This item comprises the leasing payables following the accounting of leasing transactions using the financial method. The change compared with the previous year is due to the combined effect of:

- Euro 4,902 thousand, representing an increase, following the line-by-line consolidation of Acantho Spa;
- Euro 4,287 thousand, representing a decrease, following the payment of rentals accrued during the period.

The balance as at 31 December 2009 is shown below, broken down between the short-term and long-term portions.

	Residual amount	Short-term portion	Long-term portion
Financial leasing payables	16,527	7,148	9,379
Total	**16,527**	**7,148**	**9,379**

35 Trade payables

	31-Dec-2009	31-Dec-2008	Change
Payables to suppliers	500,154	494,966	5,188
Payables to suppliers for invoices not yet received	521,305	542,130	-20,825
Advance payments liabilities	9,570	10,717	-1,147
Payables to non-consolidated subsidiary companies	175	499	-324
Payables due to associated companies	17,010	36,115	-19,105
Total	**1,048,214**	**1,084,427**	**-36,213**

Payables to suppliers, all of a commercial nature and inclusive of sums set aside to cover invoices due, total Euro 1,021,459 thousand as at 31 December 2009 compared to Euro 1,037,096 thousand as 31 December 2008.

The item "advance payments liabilities" consists primarily of advance payments received for tender contracts for environmental decontamination and gas supply.

The key amounts owed to associated companies, again for commercial reasons, are itemised below:

- Set Spa, Euro 9,527 thousand;
- FlameEnergy Trading Gmbh, Euro 2,370 thousand;
- SoSel Spa, Euro 2,320 thousand;
- Estense Global Service Scarl, Euro 1,695 thousand;
- Service Imola Srl, Euro 916 thousand.

The decrease compared to 31 December 2008 is mainly due to the line-by-line consolidation of:

- Acantho Spa, for which payables due of Euro 16,527 thousand had been recorded;
- Agea Reti Srl for Euro 585 thousand.

36 Income tax liabilities

	31-Dec-2009	31-Dec-2008	Change
Income tax due	9,273	27,486	-18,213
Excise and additional regional taxes	25,741	58,623	-32,882
Withholding tax at source	9,869	8,423	1,446
Equalisation Fund for electricity service	10,444	371	10,073
Value added tax	9,492	997	8,495
Substitute tax	7,220	17,041	-9,821
Sewage fee	569	565	4
Other tax liabilities	7,605	5,667	1,938
Total	**80,214**	**119,173**	**-38,960**

The most significant changes that have occurred since last year are noted below.

The "income tax due" as at 31 December 2009 shows a decrease compared to 31 December 2008 due to reduction of the Corporate Income Tax (IRES) due as a result of advance payments calculated using the historical method.

The decrease in "excise and additional regional taxes" compared to 31 December 2008 is attributable to a combination of decreases and increases for gas and electricity respectively.
With regard to gas, the advances paid in the year 2009 were in line with the sales revenues for the period, while the outstanding debt as at 31 December 2008 was paid.
With regard to electricity, instead, there was an increase in excise and additional taxes as a result of the substantial increase in sales revenues, mainly generated by the acquisition of clients "under protection".

The "Equalization Fund for the electricity service" as at 31 December 2009 shows an increase compared to 31 December 2008 equal to Euro 10,073 thousand, due mainly to payables for the AS component, established by resolution of the Italian Authority for Electricity and Natural Gas (AEEG) no. 138/08. This component is intended to cover the expenses for the compensation of costs incurred to supply electricity to economically disadvantaged households.

The "value added tax", equal to Euro 9,869 thousand, represents primarily the VAT liability of the Group, compared to the credit shown as at 31 December 2008.

Payables for "substitute tax" of Euro 7,220 thousand, reflects the option described in article 1, paragraph 48 of Law no. 244/2007, to which some of the companies in the group adhered from 31 December 2007. The payables for substitute tax are required to be fully paid within the next year. The decrease over the previous year is due to the amounts paid during the year under the instalment plan, as required by law.

The “other tax liabilities” item refers to the ecotax amount due for the last quarter of 2009, paid in 2010.

37 Other current liabilities

	31-Dec-2009	31-Dec-2008	Change
Capital grants	61,923	59,979	1,944
Guarantee deposits	60,614	51,951	8,663
Personnel	24,177	21,152	3,025
Payables due to social security and welfare institutions	17,669	17,581	88
Payables due to shareholders for dividends	7,364	1,612	5,752
Third-party project and study work	6,823	4,521	2,302
Payables due to municipalities for environmental disruption and establishment of guarantees	6,004	6,526	-522
Insurance and deductibles	4,681	2,457	2,224
Equalisation Fund for electricity and gas service	2,123	1,073	1,050
Customers	1,394	1,531	-137
Directors, Statutory Auditors and Committees for the Territory	237	296	-59
Other liabilities	30,319	33,044	-2,725
Total	**223,328**	**201,723**	**21,605**

The most significant changes that have occurred since last year are noted below.

The increase in “capital grants” is mainly due to the completion of some investments in the Integrated Water Cycle and Waste Management areas. This item will decrease in future periods in proportion to the amount of depreciation calculated on the assets referred.

Payables for “guarantee deposits” reflect the sums paid by customers for gas, electricity, and water administration agreements. The increase compared with 31 December 2008 was generated almost exclusively by payments made by customers of subsidiaries Hera Comm Srl and Marche Multiservizi Spa.

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

"Payables due to shareholders for dividends" refer to the parent company Hera SpA (Euro 1,288 thousand) and to the subsidiary Fea Srl (Euro 6,076 thousand) towards the minority shareholder.

"Equalisation fund for electricity services" shows a balance as at 31 December 2009 of Euro 2,123 thousand (Euro 1,073 thousand as at 31 December 2008). The increase over the previous year relates to the liability for the equalization of the gas business defined following the introduction of new legislation (Italian Authority for Electricity and Natural Gas resolution No. 159/08 and 64/09).

The table below shows the reclassification of some items of 31 December 2008:

Other	31-Dec-08 published	reclassified	31-Dec-08 published
Capital grants	0	59,979	59,979
Third party project and study work	0	4,521	4,521
Insurance and deductibles	0	2,457	2,457
Payables due to municipalities for environmental disruption and establishment of guarantees	0	6,526	6,526
Equalisation Fund for electricity and gas service	0	1,073	1,073
Payables due to shareholders for dividends	0	1,612	1,612
Other payables	109,212	-76,168	33,044
Total	109,212	0	109,212

IFRS 8: information by business area

Income statement for 2009

	Gas	Electr.	Int. Water Cycle	Waste Mgmt.	Other Svcs.	Structure	Total	Cons. Financial Statements
Direct revenues	1,170.4	1,924.8	452.0	580.7	84.0	73.2	4,285.1	4,285.1
Infra-cycle revenues	75.8	74.0	9.0	38.3	22.8	4.3	224.2	
Total direct revenues	**1,246.2**	**1,998.8**	**461.0**	**618.9**	**106.8**	**77.5**	**4,509.3**	**4,285.1**
Indirect revenues	13.3	28.8	10.4	23.5	1.5	-77.5	0.0	
Total Revenues	**1,259.5**	**2,027.7**	**471.4**	**642.4**	**108.3**	**0.0**	**4,509.3**	**4,285.1**
EBITDA	**174.4**	**53.0**	**131.4**	**187.3**	**21.1**	**0.0**	**567.3**	**567.3**
Direct Amort., Depr., and Allow.	52.5	21.1	60.8	82.9	17.9	40.8	276.0	276.0
Indirect Amort., Depr., and Allow.	10.0	5.6	11.5	12.1	1.6	-40.8	0.0	
Total Amort., Depr., and Allow.	**62.5**	**26.7**	**72.3**	**95.0**	**19.5**	**0.0**	**276.0**	**276.0**
EBIT	**111.9**	**26.3**	**59.1**	**92.3**	**1.6**	**0.0**	**291.3**	**291.3**

Income statement for 2008

	Gas	Electr.	Int. Water Cycle	Waste Mgmt.	Other Svcs.	Structure	Total	Cons. Financial Statements
Direct revenues	1,166.6	1,484.9	437.4	586.3	71.2	45.6	3,792.0	3,792.0
Infra-cycle revenues	39.1	65.3	8.2	28.6	3.8	3.5	148.5	
Total direct revenues	**1,205.7**	**1,550.2**	**445.6**	**614.9**	**75.0**	**49.1**	**3,940.5**	**3,792.0**
Indirect revenues	10.7	7.2	13.4	17.2	0.7	-49.1	0.0	
Total Revenues	**1,216.4**	**1,557.3**	**459.0**	**632.1**	**75.7**	**0.0**	**3,940.5**	**3,792.0**
EBITDA	**143.8**	**54.4**	**130.2**	**186.3**	**13.5**	**0.0**	**528.3**	**528.3**
Direct Amort., Depr., and Allow.	53.4	26.6	47.7	74.7	8.6	36.6	247.6	247.6
Indirect Amort., Depr., and Allow.	7.9	5.3	10.9	11.3	1.3	-36.6	0.0	
Total Amort., Depr., and Allow.	**61.2**	**31.9**	**58.5**	**86.0**	**9.9**	**0.0**	**247.6**	**247.6**
EBIT	**82.6**	**22.6**	**71.7**	**100.3**	**3.7**	**0.0**	**280.8**	**280.8**

Balance sheet year 2009

	Gas	Electr.	Int. Water Cycle	Waste Mgmt.	Other Svcs.	Structure	Consolidated Financial Statements
Net Working Capital	-49.1	49.7	11.7	-1.3	15.7	0.0	26.8
Net Fixed Assets	905.4	505.4	1,043.1	1,095.3	146.6	290.0	3,985.8
Provisions	-117.9	-32.5	-81.8	-171.2	-14.3	-2.4	-420.0
Net Capital Invested	**738.4**	**522.7**	**973.1**	**922.8**	**148.0**	**287.5**	**3,592.5**
Shareholders' Equity							**1,700.7**
Net Financial Position							**1,891.8**

Balance sheet year 2008

	Gas	Electr.	Int. Water Cycle	Waste Mgmt.	Other Svcs.	Structure	Consolidated Financial Statements
Net Working Capital	-78.5	-24.0	13.4	53.3	13.0	0.0	-22.9
Net Fixed Assets	715.6	479.2	987.7	1,029.4	115.2	267.5	3,594.5
Provisions	-108.8	-70.3	-71.3	-155.4	-12.3	-2.9	-421.0
Net Capital Invested	**528.3**	**384.8**	**929.7**	**927.3**	**115.9**	**264.6**	**3,150.6**
Shareholders' Equity							**1,579.1**
Net Financial Position							**1,571.5**

Guarantees provided

The most important guarantees granted to third parties are listed below.

Mortgages and special liens

- Mortgages and special liens on land, plants and machinery recorded by the subsidiary Fea Srl in favour of the pool of banks that subscribed the project financing for Euro 216,909 thousand;
- Mortgages guaranteeing the loan of the subsidiary Nuova Geovis Srl for Euro 5,344 thousand;
- Mortgages on the building of the subsidiary Marche Multiservizi Spa, due to the financial institution awarding the loan for Euro 12,000 thousand;

Sureties and personal guarantees

- Personal guarantees given by the parent company in favour of Set SpA, for a total of Euro 70,200 thousand, issued in relation to loans obtained from Banca Infrastrutture Innovazione e Sviluppo Spa by Set Spa;
- Guarantees given by the parent company for loans amounting to Euro 548 thousand to Modena Network Spa;
- Sureties granted by the subsidiary Herambiente Srl, for Euro 254,022 thousand, as a guarantee of landfill post-closure;
- Guarantee given by the subsidiary Asa to the Province of Bologna, to guarantee the environmental impact deriving from the landfill management activity amounting to Euro 22,657 thousand;
- Sureties issued by the subsidiary Marche Multiservizi Spa in favour of companies to guarantee the work in progress for Euro 5,222 thousand;
- Surety issued by the subsidiary Medea Spa in favour of the Municipality of Sassari to guarantee the gas network extension work in that municipality for Euro 250 thousand, and a surety issued in favour of Butangas to guarantee the LNG supply, for Euro 1,200 thousand;
- Surety issued by the subsidiary Nuova Geovis Srl in favour of the Province of Bologna to guarantee the environmental impact deriving from the landfill management activity for the amount of Euro 12,916 thousand;
- Surety issued by the subsidiary Sotris Spa in favour of the Province of Ravenna to guarantee the environmental impact deriving from the landfill management activity for Euro 26,429 thousand;
- Sureties issued by the subsidiaries Hera Comm Srl and Hera Trading Srl for guarantees of full payment to suppliers of raw materials, for Euro 117,423 thousand.

Third party assets used

- The third party assets used are primarily made up of assets the parent company uses, totalling Euro 1,120,577 thousand, by way of concession or lease of a business unit;
- The third party assets used by the subsidiary Marche Multiservizi Spa, for Euro 88,168 thousand, by way of lease of a business unit for the gas service;
- The third party assets used by the subsidiary Medea, for Euro 15,690 thousand, by way of concession for the gas networks of the municipality of Sassari;
- The third party assets used by the subsidiary Herambiente, for Euro 4,137 thousand, by way of leasehold of the "Busca" landfill of Con.Ami.

2.03.02 Explanatory notes for the related parties

Management of the services

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

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

Regional and national legislation assign the responsibilities for appointment, control and tariff regulation concerning integrated water and municipal hygiene to the AATOs. These responsibilities formerly were managed by the granting municipalities which are, nevertheless, represented at the Shareholders' Meetings of the AATOs. In observance of the provisions of said regional law and related national legislation (specifically article 113 of the Consolidated Local Authority Act and the sector regulations regarding appointing services on an exclusive basis), the Hera Group entered into special agreements with the AATOs, which establish the coming into effect of the technical and tariff planning.

It should be noted that, since 1 January 2009, the transfer to Romagna Acque of a business unit for the management of water production plants in the AATO territories of Forlì-Cesena, Ravenna, Rimini was completed. This transaction was made possible based on art. 14 of regional law no. 25 of 6 July 1999, which establishes that if a company, whose majority shareholders are the local agencies, and that owns collection, primary supply and distribution plants, and is a wholesale supplier of integrated water service of more than one environmental agency (AATO), the latter can assume direct management of said plants and networks.

Energy sector

The duration of licenses for the distribution of natural gas via local gas pipelines, initially set for periods ranging between ten and thirty years by the original agreements stipulated with the municipalities, was revised by Italian decree 164/2000 (Letta Decree, implementing Directive 98/30/EC) and by subsequent reforms of the energy market quoted in the part "Regulations" of the report accompanying the financial statements. Hera Spa has longer residual terms than those set out for managing entities that have promoted partial privatisations and mergers. The duration of distribution concessions is unchanged with respect to that foreseen in the company's stock exchange listing.

The agreements associated with the distribution licenses regarding the distribution of natural gas or other similar gases for heating, domestic, handicraft and industry uses, and for other general uses. Gas distribution tariffs are fixed, pursuant to the regulations in force and periodical resolutions on the part of AEEG (for 2009 tariffs were defined by the resolution 159/09). The territory in which Hera carries out the gas distribution services consists of "tariff areas" in which a distribution tariff is uniformly applied to the various categories of customers.

In the case of electricity, the purpose of the concessions (expiration term: 2030) is energy distribution activity, including, amongst other things, management of the distribution networks and operation of connected plants, ordinary and extraordinary maintenance and programming and identification of development initiatives. A suspension or expiry of the concession may be ordered by the authority regulating the sector if the concession holder is found to be inadequate or to be in breach of regulations in force, in such a way as to prejudice provision of the electricity distribution service in a serious and far-reaching manner.

The concession holder is obliged to apply the tariffs set by regulations in force and resolutions adopted by the Italian Authority for Electricity and Natural Gas to the consumers. The tariff regulation in force when the Financial Statements for the year were approved (to which this report is attached) was resolution no. 348/2007 ("Integrated provisions for carrying out electricity transmission, distribution and measurement for the regulatory period 2008-2011 and provisions regarding the economic conditions regulating the provision of the connection service"), which superseded the previous tariff option system and established a single national distribution tariff.

Water sector

Hera manages the integrated water supply service under agreements with the AATOs of varying duration (usually twenty years), for aqueduct services, sewage and purification services. The management of the aqueduct service includes the public services of collection, purifying, distribution and sale of drinking water for civil and industrial use; the sewage and purification services include the management of the networks and sewage and purification plants.
The agreements also provide for execution of new network design and construction activities and the building of new plants to be used in managing the service.
The management of the service is assigned exclusively to Hera for the municipal territory involving the obligation of the Municipality not to grant to third parties usage of the subsoil of its property and of the state aqueducts without the prior consent of the company.

The agreements also regulate other aspects of the relationship, such as forms of service management and reciprocal obligations for the parties, mainly regarding charges for ordinary and extraordinary maintenance works on the networks and plant necessary to service provision. The agreements are accompanied by technical and economic disciplinary measures regulating the service, the compulsory quality and operating standards and the tariff framework. The tariffs, fixed annually (on the basis of economic agreements covering periods of several years) in accordance with law, must be approved by the AATOs.

The local authorities grant rights of use, even free of charge, to the management company for the integrated water service network and systems operations. In the majority of the cases concerning the areas managed by Hera, the local authorities have conferred the ownership of networks and plants to special asset companies.
At the end of the concession, Hera is obliged to return the goods used to provide the service to the asset companies, or to the local authorities. Any works carried out to upgrade or expand the networks must be compensated at the end of concession with the payment of the residual value of the assets in question.
Hera's relationships with users are mainly governed by regulations applicable in the sector, measures laid out by the regional legislator and the agencies for the area. The operator's obligations in terms of service quality and resources, as well as the rights of users, are described in the relevant service charters drawn up by the operator, according to a scheme of reference approved by the agencies.

Waste management sector

Hera performs the service of urban waste management. The purpose of agreements with the AATOs is the exclusive management of urban waste services: waste collection, waste transport, road cleaning and waste recovery.

The duration of the agreements is fixed by the regional regulations as ten years. The agreements regulate aspects of the relationship such as the methods of managing the services as well as reciprocal obligations between the parties. The agreements are accompanied by technical and economic disciplinary measures regulating, in detail, the technical component of services provided and quality standards.

The amount payable to the operator for the services performed is defined annually (on the basis of multiannual economic agreements) in accordance with Italian Presidential Decree No. 158/1999, where the tariff is instituted.

For the running of waste treatment plants, the Hera Group must obtain authorisations from the authorities of the Italian provinces. It is worth noting that the company HERAmbiente Srl, 100% held by the parent company Hera SpA, was formed on 1 July 2009. The corporate reorganization involved the transfer of the business unit of Hera SpA to a company already existing in the Group (Ecologia Ambiente, 100% owned by Hera SpA). The division included the plants of collection, treatment and disposal of urban and special waste, the activities for their management and trade, as well as equity investments in other companies of this sector. Nowadays, Herambiente is the leader operator, in Italy, in the waste management services sector.

Management of the networks, plants and equipment

The infrastructure required for the provision of services, including local gas pipelines and aqueduct and sewage systems, are partly owned by Hera and partly owned by third parties (municipalities, consortia of municipalities, asset companies owned by local authorities). The dealings between the service operators and the owners of the operating assets are disciplined by specific agreements concluded between the parties and by regional laws; the regulation of the economic elements is, in some cases, covered by rental agreements, which fix the fee payable by the operator to the owners for the use of the networks and plants.
Under these contracts, Hera is required to carry out, at its own responsibility and expense, ordinary and extraordinary maintenance works, as well as network extensions, as set out in the investment plan agreed with the asset companies, and in plans drawn up by the AATOs where applicable.

Upon expiry of the contract, Hera SpA will return the business unit and, at the same time, pay the difference between the initial value of the assets on stipulation of the rental contract (equal to the value booked by the asset company, minus accrued depreciation) and the final value, equal to the initial value minus accrued depreciation since the time the lease began, including extraordinary maintenance carried out by Hera on the leased assets, net of the accrued amortisation.

Agreements for the use of infrastructures instrumental to the provision of the service were signed with the asset companies to which the municipal authorities (usually Hera's shareholders) transferred the ownership of the assets. The asset companies benefited, in relation to capital assets, from the spin-off of the business unit made at the same time as the spin-off and merger of former local public service companies in favour of Seabo Spa. These transactions led to the creation of Hera Spa, to which the management business unit was assigned by virtue of the service concessions granted to the newly-established company.
In the case of Con.Ami, the spin-off of the business unit with transfer of the assets to the public consortium company (entirely state-owned) took place before the spin-off and merger date of the former local public service companies into Hera.

Values shown in the table as at 31 December 2009, refer to the related parties hereunder:

Group A. Related parties - subsidiaries which are not consolidated:

Ingenia Srl

Consorzio Frullo

Consorzio energia servizi Bologna in liquidazione

Calorpiù Italia scarl in liquidazione

Consorzio Akhea Fondo Consortile

Group B. Related parties - associated companies:

Italcic Sr.l.

Modena Network Spa

Aimag Spa

Natura Srl

Tamarete Energia Srl

Adriatica Acque Srl

Estense Global Service Soc.Cons. a r.l.

SO. SEL Spa

Oikothen S.c.r.l.

Service Imola Srl

SET Spa

REFRI Srl

SGR Servizi Spa

DYNA Green Srl

FlamEnergy Trading Gmbh

Feronia Srl

Sei Spa

Group C: Related parties with remarkable influence:

Comune di Bologna

Comune di Modena

Group D: Other related parties:

Aspes Spa

Megas.Net Spa

Acosea Reti

Calenia

Wimaxer Spa

Sassuolo Gestioni Patrimoniali Srl

Con.Ami

Formigine Patrimonio Srl

Romagna Acque Spa

Serramazzoni Patrimonio Srl

Unica reti - assets

Maranello Patrimonio Srl

Azimut assets (ex AMF - assets)

Fiorano Gestioni Patrimoniali Srl

AMIR - assets

AREA - assets

TEAM - assets

SIS - assets

Energia Italiana Spa

Galsi Spa

2.04 Net financial indebtedness

2.04.01 Consolidated net financial indebtedness

millions of €		31-Dec-09	31-Dec-08
a	**Cash**	**350,3**	**193,6**
b	**Other current financial receivables**	**20,7**	**6,8**
	Current bank liabilities	-22,5	-109,7
	Current portion of bank indebtedness	-75,1	-79,3
	Other current financial liabilities	-14,3	-15,0
	Financial leasing payables maturing within the next year	-7,1	-4,7
c	**Current financial indebtedness**	**-119,1**	**-208,7**
d=a+b+c	**Net current financial indebtedness**	**251,9**	**-8,3**
e	**Non-current financial receivables**	**10,1**	**8,5**
	Non-current bank liabilities	-394,0	-439,4
	Bonds issued	-1.631,5	-999,7
	Other non-current financial payables	-118,9	-121,4
	Financial leasing payables maturing beyond the next year	-9,4	-11,2
f	**Non-current financial indebtedness**	**-2.153,8**	**-1.571,7**
g=e+f	**Net non-current financial indebtedness**	**-2.143,7**	**-1.563,2**
h=d+g	**Net financial indebtedness**	**-1.891,8**	**-1.571,5**

2.04.02 Net financial indebtedness - resolution 15519 of 27 July 2006

(millions of €)		31-Dec-09	which Related Parti				31-Dec-08	which Related Par			
			A	B	C	D		A	B	C	D
a	**Cash**	**350,3**					**193,6**				
b	**Other current financial receivables**	**20,7**					**6,8**				
	of which Related Parties			***13,4***							
	Current bank liabilities	-22,5					-109,7				
	Current portion of bank indebtedness	-75,1					-79,3				
	Other current financial liabilities	-14,3					-15,0				
	Financial leasing payables maturing within the next year	-7,1					-4,7				
c	**Current financial indebtedness**	**-119,1**					**-208,7**				
d=a+b+c	**Net current financial indebtedness**	**251,9**		**13,4**			**-8,3**				
e	**Non-current financial receivables**	**10,1**					**8,5**				
	of which Related Parties			***10,1***					***8,5***		
	Non-current bank liabilities	-394,0					-439,4				
	Bonds issued	-1.631,5					-999,7				
	Other non-current financial liabilities	-118,9					-121,4				
	Financial leasing payables maturing beyond the next year	-9,4					-11,2				
f	**Non-current financial indebtedness**	**-2.153,8**					**-1.571,7**				
g=e+f	**Net non-current financial indebtedness**	**-2.143,7**		**10,1**			**-1.563,2**				
	of which Related Parties								***8,5***		
h=d+g	**Net financial indebtedness**	**-1.891,8**					**-1.571,5**				
	of which Related Parties			***23,5***					***8,5***		

Changes to related parties:		
Hera spa has granted an interest-bearing loan to Tamarete Energia Srl	12,5	0
Acantho Spa has granted an interest-bearing loan to Modena Network Spa	0,9	0
Hera Spa has granted an interest-bearing loan to Modena Network Spa	1,0	0
Hera Spa has granted an interest-bearing loan to Oikothen Scral	1,8	1,8
Hera Spa has granted an interest-bearing loan to Set Spa	4,8	4,8
Hera Spa has granted an interest-bearing loan to Sei Spa	2,5	1,9
	23,5	**8,5**

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

2.05 Equity Investments

2.05.01 List of consolidated companies

Subsidiaries Companies

Name	Registered office	Share capital	Percentage held		Total	Total interest
			direct	indirect		
Parent Company: Hera Spa	**Bologna**	**1.115.013.754**				
Acantho Spa	Imola (Bo)	17.375.781	62,44%		62,44%	62,44%
Agea Reti S.r.l.	Ferrara	19.000.000	100,00%		100,00%	100,00%
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%
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 (formerly Ecologia Ambiente Srl)	Ravenna	271.148.000	100,00%		100,00%	100,00%
Hera Comm Srl	Imola (Bo)	53.136.987	100,00%		100,00%	100,00%
Hera Comm Marche Srl	Urbino (Pu)	700.000		100,00%	100,00%	100,00%
Hera Comm Mediterranea Srl	Carinaro (Ce)	250.000		50,01%	50,01%	50,01%
Hera Energie Bologna Srl	Bologna	926.000		51,00%	51,00%	51,00%
Hera Energie Rinnovabili Spa	Bologna	1.832.000	100,00%		100,00%	100,00%
Hera Luce Srl	San Mauro Pascoli (Fc)	264.012	89,58%		89,58%	89,58%
Hera Servizi Funerari Srl	Bologna	10.000	100,00%		100,00%	100,00%
Hera Trading Srl	Imola (Bo)	22.600.000	100,00%		100,00%	100,00%
Herasocrem Spa	Bologna	2.218.368	51,00%		51,00%	51,00%
Marche Multiservizi SpA	Pesaro	13.450.012	40,64%		40,64%	40,64%
MMS Ecologica Srl		95.000		40,64%	40,64%	40,64%
Medea Spa	Sassari	4.500.000	100,00%		100,00%	100,00%
Nuova Geovis Spa	Sant'Agata Bolognese (Bo)	2.205.000		51,00%	51,00%	51,00%
Romagna Compost Srl	Cesena (Fc)	3.560.002		60,00%	60,00%	60,00%
Satcom Spa	Sassuolo (Mo)	2.000.000	62,50%		62,50%	62,50%
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	5,00%	70,00%	75,00%	75,00%
Uniflotte Srl	Bologna	2.254.177	97,00%		97,00%	97,00%

Associated Companies

Name	Registered office	Share capital	Percentage held		Total	Total interest
			direct	indirect		
Adriatica Acque Srl	Rimini	89.033		25,44%	25,44%	25,44%
Aimag Spa	Mirandola (Mo)	78.027.681	25,00%		25,00%	25,00%
Dyna Green Srl	Milano	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%
Modena Network Spa	Modena	3.000.000	14,00%	18,73%	32,73%	32,73%
Oikothen Scarl	Siracusa	1.101.730	46,10%		46,10%	46,10%
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	Milano	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%

2.05.02 List of significant investments pursuant to article 126, Consob resolution 11971 of 14 May 1999

Direct equity investments of Hera Spa as at 31 December 2009

ACANTHO Spa share capital Euro 17,375,781 fully paid in
held by Hera Spa since 2000
registered office: Via Molino Rosso n. 8 - 40026 IMOLA (BO)

Shareholders	equity investment in €	equity investment in %
Hera Spa	10,848,706	62.436%

AGEA RETI Srl share capital Euro 19,000,000 fully paid in,
held by Hera Spa since 31-Dec-2004
registered office: Via Monsignor Maverna n. 4 - 44100 FERRARA

Shareholders	equity investment in €	equity investment in %
Hera Spa	19,000,000	100.00%

AIMAG Spa share capital Euro 78,027,681 fully paid in comprising 67,577,681 ordinary shares and 10,450,000 related shares, held by Hera Spa since 10-Nov-2009
registered office: Via Merighi n. 3 - Mirandola (MO)

Ordinary shareholders	equity investment in €	equity investment in %
Hera Spa	16,894,420	25.00%

CALENIA ENERGIA Spa share capital Euro 100,000 fully paid-in held by Hera Spa since 23-Sept-2004
registered office: Via Antica Fiumara n. 6 - GENOA

Shareholders	equity investment in €	equity investment in %
Hera Spa	15,000	15.00%

HERAMBIENTE Srl share capital Euro 271,148,000 fully paid-in held by Hera Spa since Oct. 2004
registered office: Viale Carlo Berti Pichat n. 2/4 - 40127 BOLOGNA

Shareholder	equity investment in €	equity investment in %
Hera Spa	271,148,000	100.00%

ENERGIA ITALIANA Spa share capital Euro 26,050,000 fully paid in held by Hera Spa since 2001
registered office: Via V. Viviani n. 12 - 20124 MILAN

Shareholders	equity investment in €	equity investment in %
Hera Spa	2,865,500	11.00%

FAMULA ON-LINE Spa share capital Euro 4,364,030 fully paid-in held by Hera Spa since 2001
registered office: Viale Carlo Berti Pichat n. 2/4 - 40127 BOLOGNA

Shareholder	equity investment in €	equity investment in %
Hera Spa	4,364,030	100.00%

HERA COMM Srl share capital Euro 53,136,987.42 fully paid-in held by Hera Spa since 2001

registered office: Via Molino Rosso n. 8 - 40026 IMOLA (BO)

Shareholder	equity investment in €	equity investment in %
Hera Spa	53,136,987	100.00%

HERA ENERGIE RINNOVABILI Spa share capital Euro 1,832,000 fully paid-in held by Hera Spa since 27-Apr-2005

registered office: Viale Carlo Berti Pichat n. 2/4 - 40127 BOLOGNA

Shareholder	equity investment in €	equity investment in %
Hera Spa	1,832,000	100.00%

HERA LUCE Srl share capital Euro 264,012 fully paid-in held by Hera Spa since 2000
registered office: Via Due Martiri n. 2 - 47030 S. MAURO PASCOLI (FC)

Shareholders	equity investment in €	equity investment in %
Hera Spa	236,504	89.58%

HERA SERVIZI FUNERARI Srl share capital Euro 10,000 fully paid-in held by Hera Spa since 22-Dec-2005
registered office: Viale Carlo Berti Pichat n. 2/4 - 40127 BOLOGNA

Shareholder	equity investment in €	equity investment in %
Hera Spa	10,000	100.00%

HERASOCREM Spa share capital Euro 2,218,368 fully paid-in held by Hera Spa since 10-Jul-2003
registered office: Viale Carlo Berti Pichat n. 2/4 - 40127 BOLOGNA

Shareholders	equity investment in €	equity investment in %
Hera Spa	1,131,368	51.00%

HERA TRADING Srl share capital Euro 22,600,000 fully paid-in held by Hera Spa since 2001

registered office: Via Molino Rosso n. 8 40026 IMOLA (BO)

Shareholder	equity investment in €	equity investment in %
Hera Spa	22,600,000	100.00%

MARCHE MULTISERVIZI Spa share capital Euro 13,450,012 fully paid-in held by Hera Spa since 2002
registered office: Via dei Canonici n. 144 - 61100 PESARO (PU)

Shareholders	equity investment in €	equity investment in %
Hera Spa	5,466,565	40.64%

MEDEA Spa share capital Euro 4,500,000 fully paid-in held by Hera Spa since 01-Jul-2003
registered office: Via Torres n. 4 - 07100 SASSARI (SS)

Shareholder	equity investment in €	equity investment in %
Hera Spa	4,500,000	100.00%

MODENA NETWORK Spa share capital Euro 3,000,000 fully paid-in held by Hera Spa since 31-Dec-2005
registered office: Via Razzaboni n. 80 - 41100 MODENA

Shareholders	equity investment in €	equity investment in %
Hera Spa	420,000	14.00%

OIKOTHEN Scarl share capital Euro 1,101,730 fully paid-in held by Hera Spa since 09-Nov-2007
registered office: Via Augusta n. 17 - 96100 SIRACUSA

Shareholders	equity investment in €	equity investment in %
Hera Spa	507,892	46.10%

SATCOM Spa share capital Euro 2,000,000 fully paid-in, held by Hera Spa since 01-Jan-2008
registered office: Via Brigata Folgore n. 26 - 41049 Sassuolo (MO)

Shareholders	equity investment in €	equity investment in %
Hera Spa	1,250,000	62.500%

SEI Spa share capital Euro 120,000 fully paid-in held by Hera Spa since 09-May-2008
registered office: Via Uberti n. 37 - 20129 MILAN

Shareholders	equity investment in €	equity investment in %
Hera Spa	24,000	20.00%

SERVICE IMOLA Srl share capital Euro 10,000 fully paid-in held by Hera Spa since 01-Nov-2002
registered office: Via Allende n. 39 - 40021 BORGO TOSSIGNANO (BO)

Shareholders	equity investment in €	equity investment in %
Hera Spa	4,000	40.00%

SET Spa share capital Euro 120,000 fully paid-in held by Hera Spa since 15-Dec-2004
registered office: Viale Bianca Maria n. 15 - 20122 MILAN

Shareholders	equity investment in €	equity investment in %
Hera Spa	46,800	39.00%

TAMARETE ENERGIA Srl share capital Euro 3,600,000 fully paid-in held by Hera Spa since 16-Dec-2008

registered office: Contrada Tamarete s.n.c. - ORTONA (CH)

Shareholders	equity investment in €	equity investment in %
Hera Spa	1,152,000	32.00%

UNIFLOTTE Srl share capital Euro 2,254,177 fully paid-in held by Hera Spa since 2001
registered office: Viale Masini n. 42 - 40126 BOLOGNA

Shareholders	equity investment in €	equity investment in %
Hera Spa	2,186,551	97.00%

Indirect equity investments as at 31 December 2009

Acantho Spa holding:

WIMAXER Spa share capital Euro 500,000 fully paid-in Held by ACANTHO Spa since 06-May-2008

registered office: Via Molino Rosso n. 8 - 40026 IMOLA (BO)

Shareholders	equity investment in €	equity investment in %
Acantho Spa	125,000	25.00%

Herambiente Srl holdings:

A.S.A. Spa share capital Euro 1,820,000 fully paid-in Held by Herambiente Srl since 01-Jul-2009
registered office: Via Saliceto n. 43/A - 40013 CASTEL MAGGIORE (BO)

Shareholders	equity investment in €	equity investment in %
Herambiente Srl	928,200	51.00%

AKRON Spa share capital Euro 1,152,940 fully paid-in Held by Herambiente since 10-Jul-2009

registered office: Via Molino Rosso n. 8 - 40026 IMOLA (BO)

Shareholders	equity investment in €	equity investment in %
Herambiente Srl	662,940	57.50%

FERONIA Srl share capital Euro 2,430,000 fully paid-in, Held by Herambiente Srl since 01-Jul-2009

registered office: Piazza Verdi n. 6 - 41034 Finale Emilia (MO)

Shareholders	equity investment in €	equity investment in %
Herambiente Srl	972,000	40.00%

FRULLO ENERGIA AMBIENTE Srl share capital Euro 17,139,100 fully paid-in Held by Herambiente Srl since 01-Jul-2009
registered office: Viale Carlo Berti Pichat n. 2/4 - 40127 BOLOGNA

Shareholders	equity investment in €	equity investment in %
Herambiente Srl	8,740,941	51.00%

GAL.A Spa share capital Euro 300,000 fully paid-in Held by Herambiente Srl since 01-Jul-2009
registered office: Viale Carlo Berti Pichat n. 2/4 - 40127 BOLOGNA

Shareholders	equity investment in €	equity investment in %
Herambiente Srl	180,000	60.00%

NUOVA GEOVIS Spa share capital Euro 2,205,000 fully paid-in Held by Herambiente Srl since 01-Jul-2009
registered office: Via Romita n. 1 - 40019 Sant'Agata Bolognese (BO)

Shareholders	equity investment in €	equity investment in %
Herambiente Srl	1,124,550	51.00%

REFRI Srl share capital Euro 6,800,000 fully paid-in Held by Herambiente Srl since 01-Jul-2009
registered office: Via Meuccio Ruini n. 10 - 42100 REGGIO EMILIA

Shareholders	equity investment in €	equity investment in %
Herambiente Srl	1,360,000	20.00%

ROMAGNA COMPOST Srl share capital Euro 3,560,002 fully paid-in Held by Herambiente Srl since 01-Jul-2009
registered office: Via Cesare Spinelli n. 60 - 47023 CESENA (FC)

Shareholders	equity investment in €	equity investment in %
Herambiente Srl	2,136,004	60.00%

SOTRIS Spa share capital Euro 2,340,000 fully paid-in Held by Herambiente Srl since 01-Jul-2009
registered office: S.S. 309 Romea Km. 2,6 n. 272 - 48100 RAVENNA

Shareholders	equity investment in €	equity investment in %
Herambiente Srl	1,638,000	70.00%
HERA Spa	117,000	5.00%

Hera Comm Srl holdings:

ADRIATICA ACQUE Srl share capital Euro 89,033 fully paid-in Held by Hera Comm Srl since 23-Nov-2005
registered office: Via Circonvallazione Meridionale n. 56 - 47900 RIMINI

Shareholders	equity investment in €	equity investment in %
Hera Comm Srl	19,872	22.32%
Marche Multiservizi Spa	6,838	7.68%

ERIS Scarl share capital Euro 300,000 fully paid-in - Held by Hera Comm Srl since 28-Sept-2004

registered office: Via Romea Nord 180/182 - 48100 RAVENNA

Shareholders	equity investment in €	equity investment in %
Hera Comm Srl	153,000	51.00%

ESTENSE GLOBAL SERVICE Scarl share capital Euro 10,000 fully paid-in Held by Hera Comm Srl since 27-Sept-2007

registered office: Via M.N. Plattis n. 5/c - 44100 FERRARA

Shareholders	equity investment in €	equity investment in %
Hera Comm Spa	2,300	23.00%

HERA COMM MEDITERRANEA Srl (previously CALES Srl) share capital Euro 250,000 fully paid-in Held by Hera Comm Srl since 05-Feb-2007
registered office: Zona Industriale ASI Nord - 81032 Carinaro (CE)

Shareholders	equity investment in €	equity investment in %
Hera Comm Srl	125,025	50.01%

HERA ENERGIE BOLOGNA Srl share capital Euro 926,000 fully paid-in Held by Hera Comm Srl since 30-Jun-2005

registered office: Via dell'Elettricista 2 - 40138 BOLOGNA

Shareholders	equity investment in €	equity investment in %
Hera Comm Srl	472,260	51.00%

Hera Comm MARCHE Srl share capital Euro 700,000 fully paid-in Held by Hera Comm since 28-Jul-2008
registered office: Via Sasso n. 120 - 61029 Urbino (PU)

Shareholder	equity investment in €	equity investment in %
Hera Comm Srl	700,000	100.00%

SGR Servizi Spa share capital Euro 5,982,262 fully paid-in - Held by Hera Comm Srl since 17-May-2005
registered office: Via Chiabrera n. 34/b - 47900 RIMINI

Shareholders	equity investment in €	equity investment in %
Hera Comm Srl	1,771,062	29.61%

SINERGIA Srl share capital Euro 579,600 fully paid-in Held by Hera Comm Srl since 19-Dec-2005
registered office: Via Righi n. 1 - 47100 FORLI (FC)

Shareholders	equity investment in €	equity investment in %
Hera Comm Srl	341,964	59.00%

SO.SEL Spa share capital Euro 240,240 fully paid-in, Held by Hera Comm Srl since 15-Sept-2009
registered office: Via Bellinzona n. 37/F - 41100 MODENA

Shareholders	equity investment in €	equity investment in %
Hera Comm Srl	62,462	26.00%

Hera Trading Srl holdings:

GALSI Spa share capital resolved as Euro 58,881,000, subscribed and paid-in for Euro 34,838,000 fully paid-in Held by Hera Trading Srl since 2003
registered office: Foro Buonaparte n. 31 - 20100 MILAN

Shareholders	equity investment in €	equity investment in %
Hera Trading Srl	3,624,762	10.40%

DYNA GREEN Srl share capital Euro 30,000 fully paid-in Held by Hera Trading Srl since 22-Nov-2005
registered office: Via Boschetti n. 6 - 20121 MILAN

Shareholders	equity investment in €	equity investment in %
Hera Trading Srl	10,000	33.33%

FlameEnergy Trading Gmbh share capital Euro 3,000,000 fully paid-in Held by Hera Trading Srl since 19-Apr-2006
registered office: VIENNA (Austria)

Shareholders	equity investment in €	equity investment in %
Hera Trading Srl	1,500,000	50.00%

Marche Multiservizi Spa holdings:

ACQUE Srl share capital Euro 102,700 fully paid-in Held by Marche Multiservizi Spa since 1996
registered office: Via dei Canonici n. 144 - 61100 PESARO (PU)

Shareholder	equity investment in €	equity investment in %
Marche Multiservizi Spa	102,700	100.00%

MMS Ecologica Srl share capital Euro 95,000 fully paid-in Held by Marche Multiservizi S.p.A. since 25-Nov-2009
registered office: Via dei Canonici n. 144 - 61100 PESARO (PU)

Shareholder	equity investment in €	equity investment in %
Marche Multiservizi Spa	95,000	100.00%

ASPES GAS Srl share capital Euro 1,000,000 fully paid-in Held by Marche Multiservizi Spa since 2002
registered office: Via dei Canonici n. 144 - 61100 PESARO (PU)

Shareholder	equity investment in €	equity investment in %
Marche Multiservizi Spa	1,000,000	100.00%

SIS Società Intercomunale di Servizi Spa share capital Euro 103,300 fully paid-in Held by Marche Multiservizi Spa since 01-Nov-2002
registered office: Piazza Municipio n. 1 - 61020 Montecalvo in Foglia (PU)

Shareholders	equity investment in €	equity investment in %
Marche Multiservizi Spa	43,128	41.75%

NATURA Srl share capital Euro 10,000 fully paid-in Held by Marche Multiservizi Spa since 01-Jan-2008
registered office: Via Don Minzoni n. 44 - Cagli (PU)

Shareholders	equity investment in €	equity investment in %
Marche Multiservizi Spa	4,600	46.00%

Provincia Fiorita Srl share capital Euro 25,000 Held by Marche Multiservizi Spa since 01-Jan-2008
registered office: Via Sasso n. 120 - 61043 Cagli (PU)

Shareholders	equity investment in €	equity investment in %
Marche Multiservizi Spa	7,500	30%

Direct and indirect equity investments in liquidation as at 31 December 2009

Hera Spa holdings:

INGENIA Srl share capital Euro 52,000 fully paid-in Held by Hera Spa since 01-Nov-2002
In liquidation since 18-Dec-2009
Registered office: Via Correcchio n. 4 - 40026 IMOLA (BO)

Shareholders	equity investment in €	equity investment in %
Hera Spa	38,480	74.00%

ITALCIC Scarl share capital Euro 90,000 fully paid-in Held by Hera Spa since 31-Dec-2005
In liquidation since 20-Oct-2009
Registered office: Via Razzaboni n. 80 - 41100 MODENA

Shareholders	equity investment in €	equity investment in %
Hera Spa	30,000	33.33%

Hera Comm Srl holdings:

CALORPIU' ITALIA Scarl share capital Euro 10,000 fully paid-in Held by Hera Comm Srl since 26-Sept-2006
In liquidation since 01-Jan-2009
Registered office: Via Razzaboni n. 80 - 41100 MODENA

Shareholders	equity investment in €	equity investment in %
Hera Comm Srl	5,100	51.00%

Marche Multiservizi Spa holdings:

ACQUAGEST Srl share capital Euro 51,480 fully paid-in Held by Marche Multiservizi Spa since 01-Jan-2008
In liquidation
Registered office: Via degli Abeti n. 120 - 61100 PESARO (PU)

Shareholders	equity investment in €	equity investment in %
Marche Multiservizi Spa	10,296	20.00%

2.05.03 Financial statement highlights of the subsidiary and associated companies

Summary of the highlights from the approved financial statements of the subsidiary companies (Art. 2429, last subsection, of the Italian Civil Code)

Subsidiary Companies

Subsidiary companies	Fixed assets	Working assets	Share capital	Reserves	Profit+Loss	Provisions	Provision for employee leaving indemnities
Acantho Spa	32.948	37.281	17.376	-112	1.091	61	369
Agea Reti Srl	21.651	1.480	19.000	48	196	-	-
Akron Spa	8.607	31.896	1.153	3.097	4.461	234	454
ASA S.P.A	5.719	11.717	1.820	605	488	12.510	112
Eris S.c.r.l.	2.613	9.900	300	342	213	7	-
Famula On-line Spa	8.690	26.099	4.364	7.916	502	137	1.650
Frullo Energia Ambiente Srl	120.459	18.147	17.139	3.777	13.303	6	1.237
Gal.A. Spa	7.953	5.456	300	60	64	806	-
Hera Comm Srl	54.349	2.247.971	53.137	394	3.302	3.378	5.497
Hera Comm Marche Srl	692	11.948	700	203	658	243	4
Hera Comm Mediterranea Srl	44	28.698	250	986	-966	-	25
HERA Enegie Rinnovabili Spa	7.336	1.094	1.832	-24	-29	-	-
Hera Energie Bologna Srl	5.142	5.192	926	1.133	717	-	9
Hera Luce Srl	9.674	23.106	264	5.670	3.275	7.036	1.000
Hera Servizi Funerari Srl	6	954	10	2	262	-	-
Herasocrem Spa	124	1.939	2.218	-175	-273	-	96
Hera Trading srl	79.047	599.561	22.600	720	9.781	158	138
Herambiente Srl	703.038	290.717	271.148	29.901	8.871	85.387	8.629
Marche Multiservizi Spa	88.778	45.138	13.450	6.345	1.300	15.256	7.362
Medea Spa	16.037	4.968	4.500	-1.499	56	867	135
Nuova Geovis Spa	13.949	8.741	2.205	2.384	854	555	295
Romagna Compost Srl	9.989	1.481	3.560	387	82	-	8
Satcom srl	8.551	6.448	2.000	595	2.476	100	274
Sinergia Srl	2.501	4.669	580	2.469	1.349	-	183
Sotris Spa	13.534	10.749	2.340	3.669	648	9.715	74
Uniflotte Srl	1.603	13.520	2.254	348	99	394	3.305
Aspes Gas Srl	7	17.989	1.000	60	765	12	-
Acque Srl	395	849	103	30	117	-	419
MMS Ecologica Srl	3.885	3.271	95	-	18	3.377	214
SIS Società Intercomunale di Servizi Spa	150	672	103	191	3	18	-

Cont.d

Subsidiary companies	Payables	Value of production	Costs of production	Financial income (+) and charges (-)	Value adj. to assets	Extraordinary income (+) and charges (-)	Tax for the year	Net profit
Acantho Spa	51.444	31.832	-28.893	-326	-	-140	-1.382	1.091
Agea Reti Srl	3.887	1.950	-1.445	-204	-	-	-104	196
Akron Spa	31.104	43.773	-36.976	-171	-	-10	-2.155	4.461
ASA S.P.A	1.901	6.266	-5.785	101	-	245	-339	488
Eris S.c.r.l.	11.651	6.066	-5.795	-46	-	97	-109	213
Famula On-line Spa	20.220	38.678	-37.860	-	-	271	-587	502
Frullo Energia Ambiente Srl	103.144	51.250	-26.111	-3.509	-	-1	-8.326	13.303
Gal.A. Spa	12.179	3.677	-3.352	-212	-	10	-59	64
Hera Comm Srl	2.236.612	1.700.115	-1.696.005	3.544	-468	397	-4.281	3.302
Hera Comm Marche Srl	10.832	29.736	-28.745	125	-	18	-476	658
Hera Comm Mediterranea Srl	28.447	43.248	-44.605	31	-	0	360	-966
HERA Enegie Rinnovabili Spa	6.651	206	-246	-	-	0	11	-29
Hera Energie Bologna Srl	7.549	11.681	-10.698	120	-	4	-390	717
Hera Luce Srl	15.535	44.182	-38.655	35	-	26	-2.314	3.275
Hera Servizi Funerari Srl	686	2.055	-1.679	5	-	-	-120	262
Herasocrem Spa	197	562	-964	25	-	-	104	-273
Hera Trading srl	645.212	2.365.670	-2.349.276	-6	-	2	-6.608	9.781
Herambiente Srl	589.820	234.222	-211.501	-5.771	-	-249	-7.829	8.871
Marche Multiservizi Spa	90.203	79.990	-76.112	-328 -	300	738	-2.688	1.300
Medea Spa	16.947	6.261	-5.708	-377	-	-4	-116	56
Nuova Geovis Spa	16.397	11.701	-9.920	-259	-	5	-673	854
Romagna Compost Srl	7.433	1.545	-1.295	-94	-	-3	-71	82
Satcom srl	9.554	11.568	-10.531	-70	-	-	1.509	2.476
Sinergia Srl	2.589	9.225	-7.260	41	-	-	-657	1.349
Sotris Spa	7.837	9.314	-8.330	-4	-	-6	-326	648
Uniflotte Srl	8.723	25.426	-25.045	49	-	56	-387	99
Aspes Gas Srl	16.159	35.777	-34.624	106		-14	-480	765
Acque Srl	575	1.796	-1.547	-3	-	0	-129	117
MMS Ecologica Srl	3.452	147	-115	-4	-	-	-10	18
SIS Società Intercomunale di Servizi Spa	507	5.194	-5.114	-23	-	32	-86	3

Associated Companies

Subsidiary companies	Fixed assets	Working assets	Share capital	Reserves	Profit+Loss	Provisions	Provision for employee leaving indemnities
* Refri S.r.l.	4.950	2.972	6.800	-537	-387	-	-
** Sgr Servizi Spa	9.131	50.815	5.982	12.996	1.471	610	443
* Aimag Spa	164.112	41.651	78.028	35.245	5.326	17.241	4.229
Adriatica Acque S.r.l.	418	480	89	-57	34	144	28
DYNA GREEN Srl.	-	116	30	236	-203	-	-
Estense global service Cons.a r.l.	53	4.287	10	0	0	-	-
Feronia S.r.l.;	2.418	505	2.430	-133	-109	-	-
FlamEnergy Trading Gmbh;	-	5.530	3.000	467	397	122	-
Modena Network S.p.a	8.515	3.474	3.000	-866	-60	-	-
Oikothen S.c.r.l.	6.825	1.243	1.102	-462	-152	-	-
Service imola S.r.l.	52	1.032	10	28	259	-	11
SET S.p.A.	230.178	59.862	120	85.555	788	49	71
So. Sel S.p.A	1.745	6.110	240	1.234	119	-	1.460
Tamarete Energia srl	43.001	16.754	3.600	9.931	-735	-	-

Con.d

Subsidiary companies	Payables	Value of production	Costs of production	Financial income (+) and charges (-)	Value adj. to assets	Extraordinary income (+) and charges (-)	Tax for the year	Net profit
* Refri S.r.l.	2.046	1.949	-2.031	41	-341	-3	-2	-387
** Sgr Servizi Spa	38.444	88.835	-86.329	197	-37	-134	-1.061	1.471
* Aimag Spa	65.694	68.980	-62.450	207	-	755	-2.166	5.326
Adriatica Acque S.r.l.	660	444	-408	-32	-	48	-18	34
DYNA GREEN Srl.	53	-	-202	-1	-	0	0	-203
Estense global service Cons.a r.l.	4.330	6.610	-6.743	30	-	108	-5	0
Feronia S.r.l.;	735	-	-106	-9	-	-3	9	-109
FlamEnergy Trading Gmbh;	1.544	13.675	-13.154	8	-		-132	397
Modena Network S.p.a	9.915	2.663	-2.549	-163	-	0	-11	-60
Oikothen S.c.r.l.	7.580	-	-179	5	-	-3	25	-152
Service imola S.r.l.	776	1.805	-1.381	-1	-	-1	-163	259
SET S.p.A.	203.457	93.676	-83.091	-7.989	-	-382	-1.426	788
So. Sel S.p.A	4.802	11.237	-10.682	-22	-	-25	-389	119
Tamarete Energia srl	46.959	-	-408	-326	-	-1	0	-735

* The companies marked with an asterisk report data from the last financial statements approved (31.12.2008)

** The companies marked with double asterisk report data from the last financial statements approved (30.06.09)

2.06 Art. 149 duodecies of the issuers'regulations – table

	2009
Services provided to certify the financial statements	**627.079**
Other services provided in issuing certification (unbundling)	**90.000**
Others services provided	**161.898**
Total	**878.977**

2.07 Declaration for the consolidated financial statements in accordance with Art. 154 bis of Legislative Decree 58/98

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

- the adequacy with reference to the nature of the company and
- the actual application

of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements over 2009.

2 – We further declare that:

2.1 – the consolidated financial statements:

a. were prepared in compliance with the applicable International Accounting Principles recognised by the European Community pursuant to Regulation 1606/2002 (EC) of the European Parliament and the Council of 19 July 2002;
b. are consistent with the data contained in the accounting books and entries;
c. provide a truthful and accurate representation of the balance sheet and income statement of the issuer and of all its consolidated companies

2.2 – the Directors' Report includes a reliable analysis of the trend and of the operating profit, and of the situation of the issuer and of all of the companies included in the consolidation, together with the description of the major risks and uncertainties to which they are exposed.

The Managing Director
Maurizio Chiarini

The Manager in Charge
Dario Farina

29 March 2010

2.08 Report by the Board of Statutory Auditors and Independent Audit Report

2.08.01 Report by the Independent Auditing Firm

PRICEWATERHOUSECOOPERS

HERA SPA

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998 (NOW ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 DATED 27 JANUARY 2010)

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998 (NOW ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 DATED 27 JANUARY 2010)

To the Shareholders of
Hera SpA

1 We have audited the consolidated financial statements of Hera SpA and its subsidiaries ("Hera Group") as of 31 December 2009, which comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the related explanatory notes. The directors of Hera SpA are responsible for the preparation of these consolidated financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

The audit of the consolidated financial statements at 31 December 2009 was conducted in accordance with the legislation in force during the year then ended.

For the opinion on the consolidated financial statements of the prior year, the amounts of which are presented for comparative purposes and have been reclassified to reflect the changes to the financial statement presentation introduced by IAS 1, reference should be made to our report dated 10 April 2009.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: Bari 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – Bologna Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – Brescia 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – Firenze 50121 Viale Gramsci 15 Tel. 0552482811 – Genova 16121 Piazza Dante 7 Tel. 01029041 – Napoli 80121 Piazza dei Martiri 58 Tel. 08136181 – Padova 35138 Via Vicenza 4 Tel. 049873481 – Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 – Parma 43100 Viale Tanara 20/A Tel. 0521242848 – Roma 00154 Largo Fochetti 29 Tel. 06570251 – Torino 10129 Corso Montevecchio 37 Tel. 011556771 – Trento 38122 Via Grazioli 73 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 – Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 – Verona 37122 Corso Porta Nuova 125 Tel.0458002561

PRICEWATERHOUSECOOPERS

3 In our opinion, the consolidated financial statements of the Hera Group as of 31 December 2009 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Hera Group for the year then ended.

4 The directors of Hera SpA are responsible for the preparation of the report on operations in accordance with applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and shareholder structure limited to the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998 included in the specific section of the report on operations are consistent with the consolidated financial statements of the Hera Group as of 31 December 2009.

Bologna, 13 April 2010

PricewaterhouseCoopers SpA

Signed by

Edoardo Orlandoni
(Partner)

This report has been translated from the original version, which was issued in accordance with Italian legislation into the English language solely for the convenience of International readers. We have not examined the translation of the financial statements referred to in this report.

(2)

2.08.02 Report by the Board of Statutory Auditors

Shareholders,

The Hera Group has drawn up the consolidated financial statements in accordance with the EC Regulation no. 1606/2002 of 19 July 2002, as per the Ias/Ifrs International Accounting Principles, ratified by the European Community, supplemented by the related interpretations (standard Interpretations Committee – Sic and International Financial Reporting Interpretation Committee – Ifric) issued by the International Accounting Standard Board (Iasb), as well as by the instructions issued by way of implementation of Article 9 of Italian Legislative Decree no. 38/2005.

The accounting period ended as at 31 December 2009, represents the following summary results (figures in thousands):

BALANCE SHEET	
Non-current assets	
Tangible fixed assets	3,255,712
Intangible fixed assets	196,614
Goodwill and consolidation differences	378,574
Equity investments and securities	121,243
Financial assets	10,535
Deferred tax assets	73,596
Financial instruments – derivatives	419
TOTAL NON CURRENT ASSETS	4,036,693
Current assets	
Inventories	47,068
Trade receivables	1,137,076
Contract work in progress	19,904
Financial assets	21,790
Financial instruments – derivatives	50,199
Other current assets	178,892
Cash and cash equivalents	350,332
TOTAL CURRENT ASSETS	1,805,261
TOTAL ASSETS	5,841,954

Liabilities

Group Shareholders' equity	1,642,606
Shareholders' equity pertaining to minority shareholders	58,125
TOTAL SHAREHOLDERS' EQUITY	1,700,731
Loans falling due beyond 12 months	2,144,857
Employee leaving indemnity	101,017
Provisions for risks and charges	186,200
Deferred tax liabilities	132,801
Financial leasing payables	9,379
Financial instruments	40,394
TOTAL NON CURRENT LIABILITIES	2,614,648
Banks and loans	113,039
Financial leasing payables	7,148
Trade payables	1,048,214
Tax payables	80,213
Other current liabilities	223,328
Financial instruments	54,633
TOTAL CURRENT LIABILITIES	1,526,575
Total liabilities	4,141,223
SHAREHOLDERS' EQUITY AND LIABILITIES	5,841,954

INCOME STATEMENT	
Revenues	4,204,204
Change in inventories of finished products and work in progress	-1,878
Other operating income	82,755
Consumption of raw materials and consumables	-2,774,865
Costs for services	-633,441
Personnel costs	-352,044
Amortisation, depreciation and provisions	-276,001
Other operating costs	-37,444
Capitalised costs	79,990
Operating profit (EBIT)	291,276
Portion of profits (losses) pertaining to associated companies	3,921
Financial income	22,967
Financial charges	-140,244
Other non-operating costs	-15,319
Pre-tax profit	162,601
Income taxes for the year	-77,637
Net profit for the year	84,964

In the Report to the consolidated financial statements and related explanatory notes, the Board of Directors illustrated the Group's consolidated operations and the summary of the overall income performances.
The independent auditing firm, with whom the Board of Statutory Auditors has had contact, confirmed that it had ascertained the regularity and correspondence of the balance sheet and income statement deriving from the consolidation with the accounting records of the Company and with the information forwarded by the subsidiary companies, included in said scope of consolidation, and that it had also established that full compliance exists between the contents of the consolidated financial statements and the information and clarification which can be obtained from the explanatory notes and the report on operations.
In as far as we are responsible, we can confirm the following:

- The consolidated financial statements of the Hera Group include the financial statements as at 31 December 2009 of the Parent Company Hera S.p.A., and those of the subsidiary companies. 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 its activities.
- Subsidiary companies whose entity is irrelevant and those in which the effective exercise of the voting rights is subject to serious and long-lasting restrictions, are excluded from line-by-line consolidation, along with the subsidiary companies held exclusively for the purpose of subsequent disposal.
- Equity investments representing fixed assets in associated companies, whose entity is significant, are carried at equity. Dormant companies, or those of an insignificant entity, are by contrast maintained at cost.
- Companies held exclusively for the purpose of subsequent disposal are excluded from the scope of consolidation and valued at the lower between cost and fair value. These equity investments are classified in their own items.
- There are no companies consolidated on a proportional basis.
- The consolidated balance sheet and income statement schedules have been drawn up on the basis of the accounting schedules which the companies included within the scope of consolidation have appropriately reclassified and adjusted (on the basis of specific instructions issued by the Parent Company) so as to render them consistent with the accounting standards and policies of the Hera Group. With regard to associated companies, adjustments in shareholders' equity balances have been considered to adjust it to the IAS/IFRS standards.
- When drawing up the consolidated balance sheet and income statement schedules, the asset and liability, as well as the income and costs of the companies included in the scope of consolidation were adopted on a line-by-line basis. Receivables and payables, income and expense, gains and losses deriving from transactions carried out between consolidated companies have by contrast been eliminated. The book value of the equity investments is also eliminated against the corresponding portions of shareholders' equity of the investee companies.

- The positive difference between the book value of the equity investments and the fair value of the assets and liabilities acquired is allocated to the asset and liability elements and then residually to goodwill. The negative difference is immediately recorded in the income statement, as illustrated in the following section "business combinations". This negative difference is recorded in a consolidation reserve item only if it regards acquisitions prior to 31 March 2004. The amount of the capital and the reserves of the subsidiary companies corresponding to the minority interest is recorded in an equity item entitled "minority interests in capital and reserves"; the portion of the consolidated economic result corresponding to the minority interests is recorded in the item "profit (loss) for the year pertaining to minority shareholders".
- Dividends recorded under financial income of the consolidated companies are eliminated within the sphere of the consolidation process of the respective companies, against the reserves for retained earnings under shareholders' equity. Dividends received by companies carried at equity are booked against the book value of the investment. Dividends resolved by companies carried at cost are maintained under financial income.
- The valuation of the financial statement items is carried out, aspiring to the general principles of prudence and accruals, with a view to the Company as a going concern. For the purposes of the accounting entries, the economic substance of the transactions is given priority over their legal form.
- The same standards and policies applied to the previous financial year were followed in preparing these consolidated financial statements, taking account of the new accounting principles, amendments and interpretations applied on 1 January 2009. As for the income statement, costs and revenues stated include those recorded at year-end, which have balancing entries in the balance sheet. In this regard, income is included only if realised by said year-end date, while account has been taken of the risks and losses even if known after said date.
- All the information contained in the consolidated financial statements and the related accompanying documents relates to the 2009 calendar year.
- With regard to the accounting standards, they comply with statutory regulations and in any event are fully illustrated in the explanatory notes.
- The consolidated financial statements also disclose the amount of guarantees, commitments and risks.
- The consolidated financial statements closed with a profit of Euro 84,964 thousand and shareholders' equity of Euro 1,642,606 thousand.

The shareholders' meeting must only take into account the consolidated financial statements and accompanying documents for disclosure purposes, since they are documents not subject to approval.
In our opinion, however, these financial statements are a true and accurate representation of the Group equity and financial position and income statement for the year ended 31 December 2009, in compliance with provisions which regulate the drawing up of the consolidated financial statements.

Bologna, 13 April 2010

The Board of Statutory Auditors

The Chairman of the Board of Statutory Auditors	Sergio Santi
Standing auditor	Antonio Venturini
Standing auditor	Fernando Lolli

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al 31 dicembre 2009

3.01 Financial Statements

3.01.01 Income statement

	Notes	2009	2008
Revenues	3	1,313,801,671	1,811,656,629
Change in inventories of finished products and work in progress	4	-2,803,121	-
Other operating income	5	79,343,905	70,093,834
of which non recurring		*16,841,415*	
Use of raw materials and consumables (net of changes in inventories of raw materials and stock)	6	-193,283,186	-120,625,968
Service costs	7	-627,859,155	-1,401,954,949
Personnel costs	8	-244,488,496	-65,286,856
Amortisation, depreciation and allowances	9	-176,806,594	-172,263,141
Other operating costs	10	-27,702,800	-35,238,779
Capitalised costs	11	56,775,589	16,680,105
EBIT		**176,977,813**	**103,060,875**
Portion of profit (loss) pertaining to investee companies	12	37,012,657	83,604,784
Financial income	13	13,284,543	10,167,423
Financial charges	13	-119,403,444	-96,923,039
of which non recurring		*-12,254,231*	
Total financial operations		**-69,106,244**	**-3,150,832**
Other non-operating costs	14	-15,319,205	-
Pre-tax profit		**92,552,364**	**99,910,043**
Taxes for the period	15	-40,140,482	-15,386,983
Net profit for the period		**52,411,882**	**84,523,060**

In compliance with Consob Resolution no. 15519 dated 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate balance sheet format outlined in paragraph 3.02.01 of these financial statements.

3.01.02 Aggregate income statement

	31 Dec 2009	31 Dec 2008
Net profit/(loss) for the year	52,411,882	84,523,060
- change in cash flow hedge reserve (net of tax effect)	-2,273,721	-20,490,743
Total profit/(loss) for the year	**50,138,161**	**64,032,317**

This statement is prepared according to provisions set forth in IAS 1, revised. In particular, this principle allows to highlight some elements included in the Income Statement and which were recorded as a direct matching entry to Shareholders' Equity. It should be specified that these entries are referred to as unrealised profits/losses, as at 31 December 2009, by reason of the fact that they were generated from the measurement of derivative financial instruments used as total hedge.

3.01.03 Balance sheet

	Note	31 Dec 2009	31 Dec 2008
ASSETS			
Non-current assets			
Tangible fixed assets	16	2,269,347,479	2,122,098,841
Intangible fixed assets	17	154,322,596	176,956,691
Goodwill	18	187,084,466	299,686,343
Equity investments	19	618,652,468	447,596,834
Financial assets	20	13,393,078	15,696,266
Deferred tax assets	21	41,430,142	38,638,856
Financial instruments - derivatives	22	419,138	240,859
		3,284,649,367	**3,100,914,690**
Current assets			
Inventories	23	14,606,264	4,289,859
Trade receivables	24	710,793,515	1,185,409,598
Contract work in progress	25	9,424,481	1,604,339
Financial assets	26	136,809,138	3,495,452
Other current assets	27	112,035,113	96,611,952
Cash and cash equivalents	28	282,045,246	117,138,954
		1,265,713,757	**1,408,550,154**
TOTAL ASSETS		**4,550,363,124**	**4,509,464,844**

Cont.d

	Notes	31 Dec 2009	31 Dec 2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves	29		
Share capital		1,115,013,754	1,032,737,702
Reserve for treasury shares at par value		-2,892,876	-2,299,643
Reserves		494,725,851	364,744,700
Reserve for treasury shares exceeding par value		-1,948,145	-2,334,627
Reserve for derivative instruments valued at fair value		-12,995,479	-16,125,386
Retained profit		2,060,626	4,382,735
Profit (loss) for the period		52,411,882	84,523,060
Total shareholders' equity		**1,646,375,613**	**1,465,628,541**
Non-current liabilities			
Loans – maturing beyond the next year	30	1,751,202,569	1,412,426,361
Employee leaving indemnity and other benefits	31	74,932,434	21,568,746
Provisions for risks and charges	32	81,489,211	140,664,421
Deferred tax liabilities	33	111,407,751	70,085,420
Financial leasing payables – maturing beyond the next year	34	2,927,775	5,267,321
Financial instruments - derivatives	22	28,393,798	21,022,855
		2,050,353,538	**1,671,035,124**
Current liabilities			
Banks and other borrowings – maturing within the next year	30	105,284,872	182,357,896
Financial leasing payables – maturing within the next year	34	2,731,867	2,709,489
Trade payables	35	579,238,797	1,024,456,637
Income tax liabilities	36	31,469,482	47,821,414
Other current liabilities	37	134,908,955	115,455,743
		853,633,973	**1,372,801,179**
Total liabilities		**2,903,987,511**	**3,043,836,303**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,550,363,124**	**4,509,464,844**

In compliance with Consob Resolution no. 15519 dated 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate balance sheet format outlined in paragraph 3.02.02 of these financial statements.

3.01.04 Cash flow statement

	31 Dec 2009	31 Dec 2008
Operations		
Cash flow		
Profit for the year	52,411,882	84,523,060
Depreciation and writedowns of tangible assets	114,198,220	111,045,536
Amortisation and writedowns of intangible assets	36,607,139	34,236,118
Total cash flow	**203,217,241**	**229,804,714**
Changes in prepaid and deferred taxes	(10,481,432)	(10,820,663)
Employee leaving indemnity and other benefits:		
Provisions / (uses)	(2,912,214)	(682,393)
Provisions for risks and charges:		
Provisions / (uses)	(4,746,522)	(11,760,464)
Total cash flow before changes in net working capital	**185,077,073**	**206,541,194**
Working capital		
Change in trade receivables	158,792,224	(12,303,157)
Change in inventories	2,981,508	(1,654,309)
Change in other current assets	(28,712,599)	2,273,460
Change in trade payables	(230,307,919)	130,523,475
Change in tax liabilities	(20,293,592)	15,754,874
Change in other current assets	(386,815)	(1,555,384)
Change in financial instruments - derivatives	-	-
Change in working capital	**(117,927,193)**	**133,038,959**
Change in financial instruments – non-current derivatives	**12,124,571**	**8,552,454**
Liquidity generated by operations	**79,274,451**	**348,132,607**
Investment activities		
Disinvestment/(investment) in tangible assets, net of net investments/disinvestments	(265,705,155)	(343,596,966)
Disinvestment/(investment) in intangible assets, net of net investments/disinvestments	(16,017,896)	(17,713,386)
Goodwill	(2,154,914)	-
Investments in equity investments, net of disinvestments	(60,185,659)	(5,705,338)
(Increase)/decrease in other investments	(131,010,498)	
Investments in business units	38,537,000	5,663,359
Liquidity generated/(absorbed) by investment activities	**(436,537,122)**	**(361,352,331)**
Financing activities		
Medium/long-term loans	611,997,208	153,772,467
Change in shareholders' equity items	23,516,756	1,397,306
Change in short-term bank indebtedness	(32,260,024)	(65,646,615)
Dividends paid out	(82,490,386)	(82,517,848)
Change in financial leasing payables	(2,317,168)	(3,887,482)
Cash generated/(absorbed) by financing activities	**518,446,386**	**3,117,828**
	161,183,715	**(10,101,896)**
Change in net financial position		
Cash and cash equivalents at the beginning of the year	120,861,531	127,240,850
Cash and cash equivalents at the end of the year	282,045,246	117,138,954
	161,183,715	**(10,101,896)**

(*) In accordance with Consob Resolution no. 15519 of 27 July 2006, the effects of relations with associated parties on the cash flow statements are shown in the special cash flow statements under paragraph 3.02.03 of these financial statements.

3.01.05 Statement of changes in shareholders' equity

	Share capital	Reserves	Reserves of derivative instruments at fair value	Profit for the year	Shareholders' equity
Balance at 1 January 2008	**1,016,135**	**325,347**	**4,366**	**91,581**	**1,437,429**
Treasury shares in portfolio	-1,683	-920			**-2,603**
Capital increase due to merger of Sat – Sh. Meeting held on 16 October 2007	14,540	30,288			**44,828**
Capital increase due to the conferral of assets in kind - Sh. Meeting held on 16 October 2007	1,446	3,015			**4,461**
Change in the fair value of derivatives for the period			-20,491		**-20,491**
Allocation of 2007 profit:					
- dividends paid out				-82,518	**-82,518**
- allocation to reserve		9,063		-9,063	**-**
Profit for the year				84,523	**84,523**
Balance as at 31 December 2008	**1,030,438**	**366,793**	**-16,125**	**84,523**	**1,465,629**

	Share capital	Reserves	Reserves of derivative instruments at fair value	Profit for the year	Shareholders' equity
Balance as at 1 January 2009	**1,030,438**	**366,793**	**-16,125**	**84,523**	**1,465,629**
Treasury shares in portfolio	-593	-210			**-803**
Capital increase due to transfer of asset business unit - Sh. Meeting held on 21 October 2009	82,276	46,931			**129,207**
Reserve for surplus from spin-off, merger and combination of entities subject to joint control		79,291			**79,291**
Transf. of the "Waste Management Area" business unit to Herambiente			5,404		**5,404**
Change in the fair value of derivatives for the period			-2,274		**-2,274**
Allocation of 2008 profit:					
- dividends paid out				-82,490	**-82,490**
- allocation to reserve		2,033		-2,033	**-**
Profit for the year				52,412	**52,412**
Balance as at 31 December 2009	**1,112,121**	**494,838**	**-12,995**	**52,412**	**1,646,376**

3.02. Financial statements in accordance with resolution 15519 of 27 July 2006

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

			of which related parties					
	Notes	31 Dec 2009	A	B	C	D	Total	%
Income statement								
Revenues	3	**1,313,801,671**	332,604,164	390,000	78,999,208	6,194,240	418,187,612	31.83%
Change in inventories of finished products and work in progress	4	**-2,803,121**						
Other operating revenues	5	**79,343,905**	14,731,611	5,180	11,954	523,525	15,272,270	19.25%
Use of raw materials and consumables (net of changes in inventories of raw materials and stock)	6	**-193,283,186**	-104,053,632			-33,673,121	-137,726,753	71.26%
Service costs	7	**-627,859,155**	-274,515,561	-1,811,514	-9,784,626	-39,103,187	-325,214,888	51.80%
Personnel costs	8	**-244,488,496**	-192,928			-2,504,683	-2,697,611	1.10%
Amortisation, depreciation and allowances	9	**-176,806,594**						
Other operating costs	10	**-27,702,800**	-5,825,556		-1,009,475	-972,145	-7,807,176	28.18%
Capitalised costs	11	**56,775,589**						
EBIT		**176,977,813**	**-37,251,902**	**-1,416,334**	**68,217,061**	**-69,535,371**	**-39,986,546**	
Portion of profit (loss) pertaining to investee companies	12	**37,012,657**	31,420,908	105,878		5,038,649	36,565,435	98.79%
Financial income	13	**13,284,543**	112,406	443,729		40,323	596,458	4.49%
Financial charges	13	**-119,403,444**	1,756,829		-3	-275	1,756,551	-1.47%
Total financial operations		**-69,106,244**	**33,290,142**	**549,607**	**-3**	**5,078,697**	**38,918,444**	
Other non-operating costs	14	**-15,319,205**						
Pre-tax profit		**92,552,364**	**-3,961,760**	**-866,726**	**68,217,058**	**-64,456,674**	**-1,068,103**	
Taxes for the period	15	**-40,140,482**						
Net profit for the year		**52,411,882**	**-3,961,760**	**-866,726**	**68,217,058**	**-64,456,674**	**-1,068,103**	

	Notes	31 Dec 2008	A	B	C	D	Total	%
Income statement								
Revenues	3	**1,811,656,629**	839,489,653	2,550,568	73,220,177	4,833,434	920,093,831	50.79%
Change in inventories of finished products and work in progress	4	**0**						
Other operating revenues	5	**70,093,834**	16,740,492	2,072,816	10,013	346,950	19,170,270	27.35%
Use of raw materials and consumables (net of changes in inventories of raw materials and stock)	6	**-120,625,968**	-90,857,242	-6,477		-463,611	-91,327,330	75.71%
Service costs	7	**-1,401,954,949**	-1,183,747,006	-9,225,328	-11,879,126	-49,535,306	-1,254,386,766	89.47%
Personnel costs	8	**-65,286,856**	-23,059			-2,521,669	-2,544,728	3.90%
Amortisation, depreciation and allowances	9	**-172,263,141**						
Other operating costs	10	**-35,238,779**	-1,972,926	-5,819,987	-826,309	-551,670	-9,170,891	26.02%
Capitalised costs	11	**16,680,105**						
EBIT		**103,060,875**	**-420,370,088**	**-10,428,408**	**60,524,754**	**-47,891,872**	**-418,165,613**	
Portion of profit (loss) pertaining to investee companies	12	**83,604,784**	78,542,416	724,967		4,292,659	83,560,043	99.95%
Financial income	13	**10,167,423**	383,843	497,892		125,859	1,007,594	9.91%
Financial charges	13	**-96,923,039**	-546,555		-666,348	-144,476	-1,357,379	1.40%
Pre-tax profit		**99,910,043**	**-341,990,384**	**-9,205,548**	**59,858,406**	**-43,617,829**	**-334,955,355**	
Taxes for the period	15	**-15,386,983**						
Net profit for the year		**84,523,060**						

Key of headings of related parties columns:

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

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

			of which related parties					
	Notes	31 Dec 2009	A	B	C	D	Total	%
Assets								
Non-current assets								
Tangible fixed assets	16	**2,269,347,479**						
Intangible fixed assets	17	**154,322,596**						
Goodwill	18	**187,084,466**						
Equity investments	19	**618,652,468**	523,470,458	72,272,434		22,726,157	618,469,048	99.97%
Financial assets	20	**13,393,078**	2,859,238	9,148,223		960,000	12,967,461	96.82%
Deferred tax assets	21	**41,430,142**						
Financial instruments - derivatives	22	**419,138**						
Total non-current assets		**3,284,649,367**	**526,329,696**	**81,420,656**	**0**	**23,686,157**	**631,436,509**	
Current assets								
Inventories	23	**14,606,264**						
Trade receivables	24	**710,793,515**	305,809,348	1,966,149	11,959,547	11,062,077	330,797,120	46.54%
Contract work in progress	25	**9,424,481**						
Financial assets	26	**136,809,138**	123,416,167	12,484,000			135,900,167	99.34%
Other current assets	27	**112,035,113**	11,524,396		444,946	14,620,981	26,590,323	23.73%
Cash and cash equivalents	28	**282,045,246**						
Total current assets		**1,265,713,757**	**440,749,912**	**14,450,149**	**12,404,492**	**25,683,058**	**493,287,610**	
TOTAL ASSETS		**4,550,363,124**	**967,079,608**	**95,870,805**	**12,404,492**	**49,369,214**	**1,124,724,119**	

	Notes	31 Dec 2008	A	B	C	D	Total	%
Assets								
Non-current assets								
Tangible fixed assets	16	**2,122,098,841**						
Intangible fixed assets	17	**176,956,691**						
Goodwill	18	**299,686,343**						
Equity investments	19	**447,596,834**	366,512,422	58,289,636		22,306,157	447,108,215	99.9%
Financial assets	20	**15,696,266**	7,120,440	8,466,223			15,586,663	99%
Deferred tax assets	21	**38,638,856**						
Financial instruments - derivatives	22	**240,859**						
Total non-current assets		**3,100,914,690**	**373,632,862**	**66,755,859**	**0**	**22,306,157**	**462,694,878**	
Current assets								
Inventories	23	**4,289,859**						
Trade receivables	24	**1,185,409,598**	753,626,808	26,496,669	13,509,487	16,141,772	809,774,737	68%
Contract work in progress	25	**1,604,339**						
Financial assets	26	**3,495,452**	2,951,769	96,506			3,048,275	87%
Other current assets	27	**96,611,952**	11,827,675			16,792,132	28,619,807	30%
Cash and cash equivalents	28	**117,138,954**						
Total current assets		**1,408,550,154**	**768,406,253**	**26,593,175**	**13,509,487**	**32,933,904**	**841,442,819**	
TOTAL ASSETS		**4,509,464,844**	**1,142,039,115**	**93,349,034**	**13,509,487**	**55,240,061**	**1,304,137,697**	

Key of headings of related parties columns:

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

	Notes	31 Dec 2009	of which Related Parties A	B	C	D	Total	%
Shareholders' equity and Liabilities								
Share capital and reserves								
Share capital and reserves	29	**1,115,013,754**						
- Reserve for treasury shares at par value		**-2,892,876**						
Reserves		**494,725,851**						
- Reserve for treasury shares exceeding the par value		**-1,948,145**						
Reserve for derivative instruments valued at fair value		**-12,995,479**						
Retained profit		**2,060,626**						
Profit (loss) for the period		**52,411,882**						
Total shareholders' equity		**1,646,375,613**	**0**	**0**	**0**	**0**	**0**	
Non-current liabilities								
Loans – maturitng beyond the next year	30	**1,751,202,569**						
Employee leaving indemnity and other benefits	31	**74,932,434**						
Provisions for risks and charges	32	**81,489,211**						
Deferred tax liabilities	33	**111,407,751**						
Financial leasing payables – maturing beyond the next year	34	**2,927,775**						
Financial instruments - derivatives	22	**28,393,798**						
Total non-current assets		**2,050,353,538**	**0**	**0**	**0**	**0**	**0**	
Current liabilities								
Banks and other borrowings – maturing within the next year	30	**105,284,872**	70,145,260				70,145,260	66.62%
Financial leasing payables – maturing within the next year	34	**2,731,867**						
Trade payables	35	**579,238,797**	283,367,327	916,407	8,755,051	24,660,915	317,699,701	54.85%
Income tax liabilities	36	**31,469,482**						
Other current liabilities	37	**134,908,955**				196,253	196,253	0.15%
Total current liabilities		**853,633,973**	**353,512,587**	**916,407**	**8,755,051**	**24,857,168**	**388,041,214**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,550,363,124**	**353,512,587**	**916,407**	**8,755,051**	**24,857,168**	**388,041,214**	

	Note	31 Dec 2008	A	B	C	D	Total	%
Shareholders' equity and Liabilities								
Share capital and reserves								
Share capital and reserves	29	**1,032,737,702**						
- Reserve for treasury shares at par value		**-2,299,643**						
Reserves		**364,744,700**						
- Reserve for treasury shares exceeding the par value		**-2,334,627**						
Reserve for derivative instruments valued at fair value		**-16,125,386**						
Retained profit		**4,382,735**						
Profit (loss) for the period		**84,523,060**						
Total shareholders' equity		**1,465,628,541**	**0**	**0**	**0**	**0**	**0**	
Non-current liabilities								
Loans – maturing beyond the next year	30	**1,412,426,361**						
Employee leaving indemnity and other benefits	31	**21,568,746**						
Provisions for risks and charges	32	**140,664,421**						
Deferred tax liabilities	33	**70,085,420**						
Financial leasing payables – maturing beyond the next year	34	**5,267,321**						
Financial instruments - derivatives	22	**21,022,855**						
Total non-current assets		**1,671,035,124**	**0**	**0**	**0**	**0**	**0**	
Current liabilities								
Banks and other borrowings – maturing within the next year	30	**182,357,896**	4,180,000				4,180,000	2.29%
Financial leasing payables – maturing within the next year	34	**2,709,489**						
Trade payables	35	**1,024,456,637**	833,175,378	13,165,769	8,465,964	11,855,954	866,663,064	84.60%
Income tax liabilities	36	**47,821,414**						
Other current liabilities	37	**115,455,743**			3,234,086	611,856	3,845,942	3.33%
Total current liabilities		**1,372,801,179**	**837,355,378**	**13,165,769**	**11,700,050**	**12,467,810**	**874,689,007**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,509,464,844**	**837,355,378**	**13,165,769**	**11,700,050**	**12,467,810**	**874,689,007**	

Key of headings of related parties columns:

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

3.02.03 Cash flow statement – Consob resolution no. 15519 of 27 July 2006

	31 Dec 2009	of which related parties
Operations		
Cash flow		
Profit for the year	52,411,882	(1,068,102)
Depreciation and writedowns of tangible fixed assets	114,198,220	
Amortisation and writedowns of intangible fixed assets	36,607,139	
Total cash flow	**203,217,241**	**(1,068,102)**
Changes in prepaid and deferred taxes	(10,481,432)	
Provision for employee leaving indemnity and other benefits:		
Provisions / (uses)	(2,912,214)	
Provisions for risks and charges:		
Provisions / (uses)	(4,746,522)	
Total cash flow before changes in net working capital	**185,077,073**	**(1,068,102)**
Working capital		
Change in trade receivables	158,792,224	478,977,617
Change in inventories	2,981,508	
Change in other current assets	(28,712,599)	2,029,484
Change in trade payables	(230,307,919)	(548,963,363)
Change in tax liabilities	(20,293,592)	
Change in other current assets	(386,815)	(3,649,689)
Change in financial instruments - derivatives	0	
Change in working capital	**(117,927,193)**	**(71,605,951)**
Change in financial instruments – non-current derivatives	**12,124,571**	
Liquidity generated by operations	**79,274,451**	**(72,674,053)**
Investment activities		
Disinvestment/(investment) in tangible assets, net of net investments/disinvestments	(265,705,155)	
Disinvestment/(investment) in intangible assets, net of net investments/disinvestments	(16,017,896)	
Goodwill	(2,154,914)	0
Investments in equity investments, net of disinvestments	(60,185,659)	(171,360,833)
(Increase)/decrease in other investments	(131,010,498)	(130,232,690)
Investments in business units	38,537,000	
Liquidity generated/(absorbed) by investment activities	**(436,537,122)**	**(301,593,523)**
Financing activities		
Medium/long-term loans	611,997,208	
Change in shareholders' equity items	23,516,756	
Change in short-term bank indebtedness	(32,260,024)	65,965,260
Dividends paid out	(82,490,386)	(21,314,746)
Change in financial leasing payables	(2,317,168)	
Cash generated/(absorbed) by financing activities	**518,446,386**	**44,650,514**
	161,183,715	**(329,617,062)**

(*) Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of relations with related parties on the Cash Flow Statement are disclosed in the special cash flow statement format shown in the following pages and are further described in paragraph 3.05 of these financial statements.

3.03 Explanatory notes

3.03.01 Explanatory notes of Hera Spa

Hera Spa is a joint-stock company (*società per azioni*) established in Italy and enrolled in the Bologna Companies' Register. The addresses of the registered offices and the locations where its main activities are carried out are indicated in the introduction to the financial statement dossier. The Company's main activities are described in the Directors' Report.

The 2009 consolidated financial statements, comprised of the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholders' equity and explanatory notes, have been prepared in application of Regulation (EC) No. 1606/2002 of 19 July 2002 in observance of the IAS/IFRS International Accounting Standards (hereinafter the IFRS) approved by the European Commission, supplemented by the relevant interpretations (Standing Interpretations Committee – SIC and International Financial Reporting Interpretations Committee – IFRIC) issued by the International Accounting Standards Board (IASB), as well as the provisions enacted in implementing article 9 of Italian Legislative Decree no. 38/2005.

Sufficient obligatory information to present a true and fair view of the Company's financial and equity position and of the income for the year has been provided.

Information on the Company's operations and on significant events after year end is provided in the Directors' Report.

Extraordinary transactions, carried out during the financial year and described in the following paragraph, render figures in these financial statements non comparable with the same data in the previous years. To this purpose, the following paragraph "corporate transactions" also includes the impact resulting from transactions described herein. In the case of reclassifications, made with the purpose of a more exhaustive exposition, the notes commenting on the single items provide all necessary information. The non-recurrent cost, income items have been highlighted.

Financial Statements

The formats used are the same as those applied for the financial statements as at 31 December 2008, except for amendments made by IAS 1 Revised. A decremental format has been used for the income statement, with individual items analysed by type. We believe that this type of disclosure, which is also used by our major competitors, to be in line with international practice and the best representation of company results. It is worth noting that item “other non-operating costs", referring to taxes paid in connection with the “tax moratorium”, has been added. To this purpose, reference is made to note 14 of the income statement. The balance sheet format makes the distinction between assets and liabilities, current and non-current. The cash flow statement was drawn up using the indirect method in accordance with IAS 7. The statement of changes in the shareholders’ equity was prepared according to IAS 1.

Moreover, referring to Consob resolution no. 15519 of 27 July 2006 on balance sheet tables, specific supplementary formats of income statement, balance sheet and cash flow statement have been included, while highlighting the most significant relations with related parties, in order not to alter the overall clarity of the balance sheet tables. **Statement of comprehensive income:** IAS 1, Revised, on the presentation of the balance sheet requires that special reference is made to income/charges of transactions made with “not shareholders” in the income statement. These transactions were previously recorded directly under changes in shareholders’ equity reserves. All changes under evaluation (in our case the values related to the effective part of profits and losses on hedging instruments of cash flows - "cash flow hedge”) shall be highlighted in one single statement, together with the income statement, or in a separate statement. Changes shall be reported separately in the statement of changes in shareholders’ equity. The Group applied this principle starting on 1 January 2009, highlighting changes in a separate statement (statement of comprehensive income) with respect to the income statement. The disclosure in the **Statement of changes in shareholders’ equity** has been modified accordingly.

The general principle adopted in preparing these financial statements is the cost principle, except for the financial assets and liabilities (including the derivative instruments), which were measured at fair value.

In drawing up the financial statements, management was required to use estimates; the major areas characterised by valuations and assumptions of particular significance together with those having notable effects on the situations presented are provided in the paragraph "Significant estimates and valuations".

The figures in the Balance Sheet and Income Statement are all expressed in units of Euro, whereas the figures in the explanatory notes are expressed in thousands of Euro, except when otherwise indicated.

These financial statements, drawn up according to the IAS/IFRS principles, have been audited by PricewaterhouseCoopers Spa.

These financial statements as at 31 December 2009 were approved by the board of directors at the meeting held on 29 March 2010, which approved their circulation.

Corporate transactions occurred during the 2009 financial year

Mergers

Mergers by incorporation and spin-offs related to internally owned parent/subsidiary transactions were accounted for, as set forth by OPI 1 starting on 1 January 2009, in compliance with criteria followed by the consolidated financial statements. For disclosure purposes, the individual notes to the incorporated equity values and the main economic indicators related to the previous year, if significant, are reported herein. As for the spin-off transaction of territorial operating companies (TOC) the values of the previous year were reclassified, for a better clarity, as required by OPI 1.

Hera Rete Modena Srl

With effective date on 15 July 2009, and accounting and tax retroactive effects on 1 January 2009, the merger by incorporation of Hera Rete Modena Srl (acquired in 2006) in Hera Spa was finalized. This transaction caused no changes in the authorised share capital of Hera Spa, inasmuch as Hera Rete Modena Srl was already wholly owned by Hera Spa.

Figures stemming from the above mentioned merger are reported hereunder to facilitate comparison:

Assets	/000	Total
Non-current assets		
Tangible fixed assets		144,118
Equity Investments		-106,343
		37,775
Current assets		
Other current assets		151
Cash and cash equivalents		27
		178
Total assets		***37,953***

Shareholders' equity and Liabilities	/000	Total
Reserves of profits/losses from OPI2 combinations (amortisations in the consolidated financial statements)		-5,988
Profit (loss) for the period		1,050
Total shareholders' equity		***-4,938***
Non-current liabilities		
Provisions for risks and charges		2,267
Deferred tax liabilities		36,531
		38,798
Current liabilities		
Trade payables		29
Amounts due to Parent Company		3,035
Other current liabilities		1,029
		4,093
Total shareholders' equity and liabilities		***37,953***

Economic	/000	Total
Other operating income		501
Service costs		-24
Other operating costs		-105
EBIT		**372**
Financial charges		-22
Total financial operations		**-22**
Pre-tax profit		**350**

As it can be inferred from the table, the merger involved, for 2009, amortisation and depreciation previously recorded in the consolidated financial statement only.

The economic data refer to the first half of 2009, and have not been included in the income statement of Hera Spa.

It should be noted that Hera Spa already used the networks of Hera Rete Modena Srl through an asset lease agreement.

Gastecnica Galliera Srl

With effective date on 15 July 2009, and accounting and tax retroactive effects on 1 January 2009, the merger by incorporation of Gastecnica Galliera Srl was finalized. This transaction caused no changes in the authorised share capital of Hera Spa, inasmuch as Gastecnica Srl was already wholly owned by Hera.

Figures stemming from the above mentioned merger are reported hereunder to facilitate comparison:

Assets	/000 Total
Non-current assets	
Tangible fixed assets	561
Goodwill	2,140
Equity investments	-2,559
	142
Current assets	
Trade receivables	213
Other current assets	41
Cash and cash equivalents	395
	649
Total assets	***791***

Shareholders' equity and liabilities	/000 Total
Reserves for profits/losses from OPI2 combinations	-31
Profit (loss) for the period	134
Total shareholders' equity	***103***
Non-current liabilities	
Employee leaving indemnity and other benefits	18
	18
Current liabilities	
Trade payables	350
Amounts due to Parent Company	302
Income tax liabilities	3
Other current liabilities	15
	670
Total shareholders' equity and liabilities	***791***

Economic	/000 Total
Revenues	296
Other operating income	4
Use of raw materials and consumables (net of changes in inventories of raw materials and stock)	-5
Service costs	-87
Other operating costs	-3
EBIT	**136**
Financial charges	-2
Total financial operations	**-2**
Pre-tax profit	**134**

The economic data refer to the first half of 2009, and have not been included in the income statement of Hera Spa.

Pri.Ge.As. Srl

On 8 May 2009 Hera Spa acquired from the City of Prignano sulla Secchia 51% of the share capital of Pri.Ge.As. Srl, a company operating in the field of gas distribution and management of the entire cycle of energy resources, primarily in the territory of the City of Prignano sulla Secchia, and thereby became the Sole Shareholder of the company. Subsequently, with effective date on 31 December 2009 and accounting and tax retroactive effects on 1 January 2009, the merger by incorporation of Pri.Ge.As. Srl in Hera Spa was finalized. The latter did not change its share capital due to this transaction. The values resulting from the transaction are not significant and have been measured according to IFRS 3.

Transfers of business units

The transfers of business units were accounted for pursuant of OPI 2 as they were transactions under common control. Therefore, they were stated in consistency with figures of the previous year, without recording higher values, as reported in the transfer deeds, as well.

Herambiente Srl
Starting on 1 July 2009, the transfer in Ecologia Ambiente Srl of the business unit having its object the assets and equity investments managed by Hera Spa's "**Waste management area**" was concluded by Hera Spa sole shareholder. Equity investments held in A.S.A. Spa, Feronia Srl, Frullo Energia Ambiente Srl, Gal.A Spa, Nuova Geovis Spa, Refri Srl, Romagna Compost Srl and Sotris Spa were included in the transfer. Resulting from this transaction, the share capital of Ecologia Ambiente Srl increased from Euro 36,000 thousand to Euro 271,148 thousand. In addition, the company changed its name to Herambiente Srl.

The equity values, which compose the “**waste management area**” business unit, transferred by Hera Spa into Ecologia Ambiente Srl, now Herambiente Srl, with effective date on 1 July 2009, are listed as follows:

/000	
Assets	***1 July 2009***
Non-current assets	
Tangible fixed assets	493,840
Intangible fixed assets	2,374
Goodwill and consolidation differences	115,544
Equity investments	26,039
Deferred tax assets	3,973
	641,770
Current assets	
Inventories	3,488
Other current assets	18,985
	22,473
Total assets	***664,243***

Shareholders' equity and Liabilities	***1 July 2009***
Reserve for derivative instruments valued at fair value	**-5,404**
Transfer shareholders’ equity, net of reserves for derivatives valued at fair value	**235,203**
Non-current liabilities	
Loans – maturing beyond the next year	273,221
Employee leaving indemnity and other benefits	5,745
Provisions for risks and charges	49,440
Deferred tax liabilities	7,322
Financial instruments - derivatives	7,206
	342,934
Current liabilities	
Banks and other borrowings – maturing within the next year	47,848
Trade payables	250
Income tax liabilities	10
Other current liabilities	4,865
	52,973
Total shareholders' equity and liabilities	***625,706***
Total receivables of Hera Spa from Herambiente Srl	***38,537***
Total shareholders' equity and liabilities including equalisation	**664,243**

The result, regarding the second half of 2009, which is not available to Hera Spa due to the transfer of the “**waste management area**” business unit to Herambiente, can be approximately represented by the following values:

EBITDA Euro 56.4 thousand;
EBIT Euro 29.4 thousand;
pre-tax profit Euro 19.2 thousand;
net profit Euro 12.2 thousand;

To complete the transaction of Herambiente, it is noted that, on 10 July 2009, the parent company sold to the same Herambiente to the shareholding held in Akron Spa. This transaction generated a capital gain of Euro 26,487 thousand, directly recorded in shareholders' equity according to OPI 2, as they are operations under common control.

Hera Energie Rinnovabili Spa

With effective date on 1 January 2009, Hera Spa transferred two business units related to the production of electricity from renewable sources into Hera Energie Rinnovabili Spa. Resulting from this transaction, the share capital of Hera Energie Rinnovabili Spa increased from Euro 120 thousand to Euro 1,832 thousand.
The significant equity values deriving from the above mentioned transfer are listed hereunder:

- Tangible fixed assets	Euro 1,701 thousand;
- Equity investments	Euro 1,712 thousand;
- Cash and cash equivalents	Euro 11 thousand;

Transfers of asset units

Con.Ami, Area Asset Spa, Agea Reti Srl

The Shareholders' Meeting of Hera Spa on 21 October 2009 approved a capital increase from Euro 1,032,737,702 to Euro 1,115,013,754, therefore, totalling Euro 82,276,052, through the issue of 82,276,052 new ordinary shares reserved for shareholders: Municipality of Ferrara, Holding Ferrara Servizi Spa, Con.Ami and Area Asset Spa. The transaction consisted of a contribution in kind, consisting of the equity investment in Agea Reti Srl, for the stake held by the Municipality of Ferrara and Holding Ferrara Servizi Srl, for the gas distribution and district heating business units held by Con.Ami and the gas distribution business unit held by Area Asset, already leased by the company. The economic effects of the transaction related to the use of provisions for recovery, amortisation/depreciation of assets transferred and lease fees are indicated in the specific items. The legal efficacy of this transaction was established as from 1 December 2009. Except for the transfer of Agea Reti Srl, the transaction was accounted for according to provisions set out by IFRS 3.
The figures related to the above capital increase operation are shown hereunder:

€ / 000	Transfer of Gas Con.Ami.	Transfer of TLR Con.Ami.	Transfer of Gas Area Asset	Transfer of Agea Reti	Total asset transfer
Acquired net asset fair value	**44,491**	**19,446**	**52,815**	**14,793**	**131,545**
Fair value of issued shares	44,272	19,350	52,559	13,026	129,207
Cash disbursement					-
Related costs	219	96	256	66	637
Total cost of acquisition	**44,491**	**19,446**	**52,815**	**13,092**	**129,844**
Effects deriving from the acquisition:					
- recording of consolidation difference					
- difference recorded in the consolidated financial statements				*1,701*	*1,701*

For further details on the transaction, reference is made to information given in the Directors' Report.

Spin-offs

As regards the accounting modality, reference is made to the section on mergers.

Territorial Operating Companies

Effective 31 December 2009 and accounting and tax retrospective effects as at 1 January 2009, the total spin-off of the seven Territorial Operating Companies (Hera Bologna Srl, Hera Ferrara Srl, Hera Forlì-Cesena Srl, Hera Imola-Faenza Srl, Hera Modena Srl, Hera Ravenna Srl and Hera Rimini Srl), all fully owned by Hera Spa, was completed, with their entire equity being assigned to the beneficiary companies Hera Spa, for the operations management business units, and Hera Comm Srl, for the customer management business units. This transaction caused no changes in the share capital of Hera Spa and Hera Comm Srl and resulted in the extinction of the Territorial Operating Companies.

In view of the significance of data related to the transaction, the table below provides the income statement and the balance sheet for 2008 restated taking account of the spin-off transaction of the Territorial Operating Companies:

	Notes	2009	2008 Pro Forma	2008
Revenues	3	1,313,801,671	1,258,642,193	1,811,656,629
Change in inventories of finished products and work in progress	4	-2,803,121	-330,769	-
Other operating income	5	79,343,905	70,270,593	70,093,834
of which non recurring		*16,841,415*		
Use of raw materials and consumables (net of changes in inventories of raw materials and stock)	6	-193,283,186	-186,234,536	-120,625,968
Service costs	7	-627,859,155	-568,553,528	-1,401,954,949
Personnel costs	8	-244,488,496	-244,079,443	-65,286,856
Amortisation, depreciation and allowances	9	-176,806,594	-174,798,211	-172,263,141
Other operating costs	10	-27,702,800	-38,466,508	-35,238,779
Capitalised costs	11	56,775,589	70,185,579	16,680,105
EBIT		**176,977,813**	**186,635,370**	**103,060,875**
Portion of profit (loss) pertaining to investee companies	12	37,012,657	26,834,334	83,604,784
Financial income	13	13,284,543	10,513,906	10,167,423
Financial charges	13	-119,403,444	-100,201,455	-96,923,039
of which non-recurring		*-12,254,231*		
Total financial operations		**-69,106,244**	**-62,853,215**	**-3,150,832**
Other non-operating costs	14	-15,319,205	-	-
Pre-tax profit		**92,552,364**	**123,782,155**	**99,910,043**
Taxes for the period	15	-40,140,482	-49,361,038	-15,386,983
Net profit for the period		**52,411,882**	**74,421,117**	**84,523,060**

	Notes	31 Dec 2009	31 Dec 2008 Pro Forma	31 Dec 2008
ASSETS				
Non-current assets				
Tangible fixed assets	16	2,269,347,479	2,345,271,197	2,122,098,841
Intangible fixed assets	17	154,322,596	177,285,839	176,956,691
Goodwill	18	187,084,466	300,473,552	299,686,343
Equity investments	19	618,652,468	440,852,828	447,596,834
Financial assets	20	13,393,078	15,696,266	15,696,266
Deferred tax assets	21	41,430,142	42,537,159	38,638,856
Financial instruments - derivatives	22	419,138	240,859	240,859
		3,284,649,367	**3,322,357,700**	**3,100,914,690**
Current assets				
Inventories	23	14,606,264	18,317,628	4,289,859
Trade receivables	24	710,793,515	869,585,739	1,185,409,598
Contract work in progress	25	9,424,481	12,182,625	1,604,339
Financial assets	26	136,809,138	3,495,452	3,495,452
Other current assets	27	112,035,113	102,156,514	96,611,952
Cash and cash equivalents	28	282,045,246	120,861,531	117,138,954
		1,265,713,757	**1,126,599,489**	**1,408,550,154**
TOTAL ASSETS		**4,550,363,124**	**4,448,957,189**	**4,509,464,844**

	Notes	31 Dec 2009	31 Dec 2008 Pro Forma	31 Dec 2008
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital and reserves	29			
Share capital		1,115,013,754	1,032,737,702	1,032,737,702
- Reserve for treasury shares at par value		-2,892,876	-2,299,643	-2,299,643
Reserves		494,725,851	432,445,465	364,744,700
- Reserve for treasury shares exceeding the par value		-1,948,145	-2,334,627	-2,334,627
Reserve for derivative instruments valued at fair value		-12,995,479	-16,125,386	-16,125,386
Retained profit		2,060,626	4,382,735	4,382,735
Profit (loss) for the period		52,411,882	74,421,117	84,523,060
Total shareholders' equity		**1,646,375,613**	**1,523,227,363**	**1,465,628,541**
Non-current liabilities				
Loans – maturing beyond the next year	30	1,751,202,569	1,412,426,361	1,412,426,361
Employee leaving indemnity and other benefits	31	74,932,434	83,589,648	21,568,746
Provisions for risks and charges	32	81,489,211	144,168,509	140,664,421
Deferred tax liabilities	33	111,407,751	73,515,187	70,085,420
Financial leasing payables – maturing beyond the next year	34	2,927,775	5,267,321	5,267,321
Financial instruments - derivatives	22	28,393,798	21,022,855	21,022,855
		2,050,353,538	**1,739,989,881**	**1,671,035,124**
Current liabilities				
Banks and other borrowings – maturing within the next year	30	105,284,872	182,357,896	182,357,896
Financial leasing payables – maturing within the next year	34	2,731,867	2,709,489	2,709,489
Trade payables	35	579,238,797	809,767,716	1,024,456,637
Income tax liabilities	36	31,469,482	51,773,074	47,821,414
Other current liabilities	37	134,908,955	139,131,770	115,455,743
		853,633,973	**1,185,739,945**	**1,372,801,179**
Total liabilities		**2,903,987,511**	**2,925,729,826**	**3,043,836,303**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,550,363,124**	**4,448,957,189**	**4,509,464,844**

Accounting principles and evaluation criteria

The valuation of the financial statement items has been carried out on the basis of the general criteria of prudence and accruals, with a view to the business as a going-concern. For the purposes of the accounting entries, priority is give to the economic substance of the transactions rather than their legal form.

These financial statements were prepared according to the same standards and policies applied in the previous accounting period, taking into account the new accounting standards illustrated in the specific section "accounting standards, amendments and interpretations applicable from 1 January 2009".
As far as the income statement is concerned, the costs and revenues stated include those recorded at year-end, which have balancing entry in the balance sheet.
In this regard, income is included only if realised by said year-end date, while account has been taken of the risks and losses even if known after said date.

The criteria and principles adopted are outlined here below.

Tangible assets – Tangible assets are recorded at acquisition or production cost, including accessory costs, or at the value based on expert appraisals of the business assets, if relating to purchased companies, net of the related accumulated depreciation and any impairment. The production cost includes the portion of the direct and indirect costs reasonably attributable to the asset (such as: personnel costs, transport, customs duty, costs for the preparation of the installation location, final test & inspection costs, notary fees, land registry expenses). Cost includes any professional fees and, for certain assets, capitalised financial charges up to the moment the asset enters into service. The cost also comprises the costs for reclamation of the site on which the tangible fixed asset exists, if it complies with the provisions of IAS 37.

Ordinary maintenance costs are charged in full to the income statement. Improvement, modernisation and transformation costs that increase the value of the assets are charged to the balance sheet assets concerned.

The book value of tangible fixed assets is subject to assessment so as to identify any losses in value, and also when events or changes in circumstances indicate that the book value cannot be recovered (for details, see the section "losses in value – impairment").

Depreciation starts to be applied when the assets are ready for use. Work in progress includes costs relating to tangible fixed assets for which the process of economic use has not yet commenced. The tangible fixed assets are systematically depreciated in each accounting period using the economic-technical rates considered representative of the residual possible usefulness of the assets. The following tables contain the depreciation rates taken into account for the depreciation of the assets.

General Services	min %	max %
Land	-	-
Buildings	1.5	3
Property complex - Via Razzaboni Mo		
- land	0	0
- buildings	1 - 1,25	2 - 2,5
- external building works	1.66	3.33
Light construction	5	10
General plant	7.5	15
Equipment	5	10
Office furniture and machines	6	12
EDP machines	10	20
Vehicles and internal means of transport	10	20
Automobiles	12.5	25
Measurement and laboratory equipment	5	10
Remote control	10	20
- remote control apparatus (RTU)	5	10
- supervision centres	4.16	8.33
- data transmission network (telephone cable)	2.5	5
- data transmission network (fibre optics)	3.33	6.67
Public Lighting	4	8
- type 1 centre	2	4
- type 2 centre	1.25	2.5
- lighting unit (multiple points)	1.25	2.5
- lighting unit (single points/columns)	2	4
- flux controllers	1.25	2.5
- distribution network	1.43	2.86
- votive lighting	1.66	3.33
Electricity substations	3.5	7

Purification services	min %	max %
Land	-	-
Civil works	1.5	3
IDAR buildings	1.5	3
Generic and specific plants	7.5	15
Specific IDAR plants	5	10
Specific ITFI plants	5	10
Specific plants	5	10
- Purification plant/Civil works	1.66	3.33
- Purification plant	3.33	6.67
Lifting plant	6	12
Laboratory equipment	5	10
Network	2.5	5
Electricity substations	3.5	7
Equipment	5	10
Furniture	6	12

District heating and gas service	min %	max %
Land	-	-
1st stage pressure reducer stations - Abstraction		
- Buildings	2.5	5.5
- General plant	7.5	15
- Specific plant	4	10
2nd stage pressure reducer stations - district - specific plant-user stations	5	10
User transformers - Specific plant	4	8
Distribution network in steel	2.22	8
Distribution network in cast iron or spheroidal cast iron	2	8
Distribution network in PE or PVC	2.86	8
Outlets/Intakes	2.5	8
Meters	4	10
Cathodic protection	4	8
Electricity substations - Specific plant	3.5	7
Cogeneration and district heating		
- Production - Buildings	2.5	5.5
- Production - General plant	4.5	9
- Production - Specific plant	4.5	9
Distribution network	2.86	8
Meters	2.5	5
Heat exchange units	4.5	9
- Boilers	1.43	2.86
- Heat exchangers	2.5	5
- Expansion tanks	1.66	3.33
Pumping stations		
- Electricity substation	2	4
- Generators	2.75	4.55
- Pumps	3.33	6.67
- Electricity substations	3.5	7
Equipment	5	10

Water service	min %	max %
Land	-	-
Buildings/Civil works	1.75	3.5
Wells		
- Buildings/Civil works	1.75	3.5
- General and specific plant	1.25	2.5
- Disinfection plant	2.5	5
- Pumps	5	10
- Building works	1.43	2.86
Abstraction - Buildings/Civil works	1.25	2.5
Lifting and fresh water stations		
- Buildings/Civil works	1.75	3.5
- General plant	7.5	15
- Specific plant	6	12
- Fresh water plant	4	8
- Disinfection plant	2.5	5
- Transformers	2	4
- Pumps	3.34	6.67
- Tanks	1.25	2.5
- Filtration plant and filters	2.78	5.56
- Generators and blowers	2.28	4.55
- Building works	1.43	2.86
Tanks	2	4
- Disinfection plant	2.5	5
- Building works	1.11	2.22
Pipelines and distribution network	2.5	5
Distribution network in steel, cast iron or spheroidal cast iron	1	2
Distribution network in reinforced cement-PE-PVC	1.43	2.86
Outlets/Intakes and connections	2.22	5
Meters	4	10
Electricity substations - Specific plant	3.5	7
Road vehicles	10	20

Electricity production and distribution service	min %	max %
Land	-	-
Buildings	1.5	3
MV underground and overhead distribution network	2	4
LV underground and overhead distribution network	4	8
HV/MV - LV/MV transformers	3.5	7
- station transformers	2	4
- pole transformers	2.5	5
Connections	3.33	8
Meters	4	10
Tables	1.66	3.33
Limiting devices	1.66	3.33
Masonry and single-pole stations	1.66	3.33
Polyfers	1.25	2.5
Receiver stations	1.66	3.33

Waste management services	min %	max %
Land	-	-
Buildings	1.5	3
Secondary building units (warehouse)	1.5	3
General plant	7.5	15
Specific plant IIR	5	10
- land	-	-
- buildings	1.00 - 1.25	2.00 - 2.50
- fixed plant with real estate pertinency	1.66 - 2.00	3.33 - 4.00
- external building works	1.66	3.33
- electric production plants	2	4
- general plant	2.5	5
- waste-to-energy post-combustion furnace boiler and fume recovery line	2.5	5
- waste-to-energy heater with fluid bed boiler line	3.57	7.14
- steam turbine and electricity production	2.5	5
- waste-to-energy line control systems	5	10
Specific BIOGAS plant, storage + IRE	5	10
- land	-	-
- buildings	1.00 - 1.25	2.00 - 2.50
- fixed plant with real estate pertinency	1.66 - 2.00	3.33 - 4.00
- external building works	1.66	3.33
- electric production plants	2.5	5
- CDR packing	2.5	5
- selection, chopping, feeding and sorting plant	2.50 - 3.33	5.00 - 6.67
- ventilation plant	3.33	6.67
- general plant – stabilisation plant – storage tanks	2.5	5
- control systems	5	10
- containers and bins	5.00 - 10.00	10.00 - 20.00
- internal handling equipment	4.16	8.33
Specific waste composting plant	5	10
- land	-	-
- buildings	1.00 - 1.25	2.00 - 2.50
- fixed plant with real estate pertinency	1.66 - 2.00	3.33 - 4.00
- external building works	1.66	3.33
- general plant and lifting equipment	3.33	6.67
- pre-selection plant	2.5	5
- mixing plant	3.33 - 5.00	6.67-10.0
- palleting plant	5	10
- energy recovery plant	2.5	5
- screening and refining plant	3.33 - 4.16	6.67-8.33
- weighing plant	2.25	5
- deoxidization / organic treatments systems	3.33	6.67
- second maturing	5	10
- cumulus turning and internal handling equipment	4.16	8.33
Vehicles and internal means of transport	10	20
Waste containers and equipment	5	10
General equipment	5	10
Snow service equipment	5	10
Sanitary equipment	5	10
Light construction	5	10
Motor vehicles	12.5	25
Controlled landfills	-	-

Land is not depreciated. Landfills are depreciated on the basis of the percentage filled.

Gains and losses deriving from the sale or disposal of assets are determined as the difference between the sales revenues and the net book value of the assets, and are charged to the income statement.

Leasing – Leasing agreements are classified as financial leases when the terms of the agreement are such that they essentially transfer all the risks and benefits of ownership to the lessee. The assets forming the subject matter of financial leasing agreements are recorded among tangible fixed assets and stated as assets at their fair value as at the date of acquisition, or if lower, at the current value of the minimum payments due for the leasing; they are depreciated on the basis of their estimated useful life on a consistent basis with the assets owned. The corresponding liability vis-à-vis the lessor is recorded in the balance sheet. The payments for lease instalments are divided up into the principal portion and the interest portion and the financial charges are booked directly to the income statement for the period. All the other leases are considered to be operating leases and the related costs for the lease instalments are recorded on the basis of the conditions anticipated in the agreement.

Intangible assets – Intangible assets which are identifiable and can be monitored, and whose cost can be reliably determined based on the supposition that said assets will generate future economic benefits, are recorded in the accounts. These assets are stated at cost in accordance with the policies indicated for tangible fixed assets and, if they have a defined useful life, they are amortised systematically over the period of the estimated useful life. The amortisation commences when the asset is available for utilisation or in any case begins to produce economic benefit for the business. Work in progress includes costs relating to intangible fixed assets for which the process of economic use has not yet commenced. If the intangible fixed assets have an undefined useful life, they are not amortised but subjected to an annual impairment test, even in the absence of indicators which disclose losses in value.

Research costs are recorded in the income statement; development costs for new products and/or processes are booked to the income statement in the year they are incurred, if they do not have multi-year use requirements.

Advertising expenses are charged directly to the income statement.

Industrial patent rights and know-how are representative of assets which are identifiable and capable of generating future economic benefits under the Company's control; these rights are amortised over the related useful lives.

Concessions and licences mainly comprise rights for the concession under management of local public services and are amortised on a straight-line basis over either the economic-technical life of the assets granted or the duration of the concession involved, whichever period is shorter. The residual value of the intangible fixed assets, which corresponds to the water concessions contributed by the merged companies and/or the spun-off business segments, is by contrast amortised in consideration of the average residual management duration in light of the agreements currently in force with the area agencies. The residual value of the intangible fixed assets which corresponds with the concessions for the management of the methane gas distribution networks contributed by the merged companies and/or the spun-off business segments is amortised in consideration of the residual transitory management duration anticipated by current legislation (Letta Decree and Marzano Law).

The gains and losses deriving from the disposal of an intangible fixed asset are determined as the difference between the disposal value and the book value of the assets; they are recorded in the income statement at the time of disposal.

Business combinations – Business combination transactions are stated by applying the purchase method, as a consequence of which the buyer acquires the shareholders' equity and takes over the assets and liabilities of the acquired company. The cost of the transaction includes the fair value of the transferred assets, liabilities taken on, capital instruments issued and all other additional charges as at the date of acquisition. Any positive difference between the cost of the transaction and the fair value at the date the assets and liabilities are acquired is attributed to goodwill (subject to impairment tests, as indicated in the following paragraph). If the process of allocating the purchase price shows a negative differential, it is immediately charged to the income statement at the date of acquisition.

Goodwill deriving from acquisition of an associated company is included in the book value of the investee company, as specified under the paragraph "investments in associated companies".

Mergers by incorporation/spin-offs – Mergers by incorporation and spin-offs are related to transactions of already wholly owned companies, not specifically regulated by IFRS 3. For these transactions, the Group applies the option envisaged by OPI 2 Assirevi; therefore, in the case of mergers/spin-offs the same values already recorded for the consolidated financial statements of the previous years were entered. Hence, the offset difference between the cost of equity investment and the corresponding portion of shareholders' equity of the merged company is allocated for the same values to the net book value of the merged company's assets and goodwill resulting from the consolidated financial statements at the reference date of the merger/spin-off, which was carried out according to values shown in the previous financial statements.
These transactions were stated according to back-dating envisaged in the specific deeds, insofar as they do not involve a change in control on assets of the merged/spinned-off company, but rather the shifting from indirect to direct control. The treatment of costs and revenues of the merged company/subsidiary in the consolidated financial statements is therefore consistent with values shown in the income statement of the merging company, starting from the beginning of the year compared with the year of the merger. To this purpose, as for significant transactions included in the cases described above, figures were restated to be compared with the financial statements of this year.

Business combinations between companies under common control – Combination transactions between companies under common control are not specifically governed by IFRS 3. For these transactions, the Group applies the option provided for by OPI 1 Assirevi and disclosed transactions showing a continuity in values with figures previously recorded, except when these transactions generated added value for the entirety of the parties involved resulting in significant changes in cash flows before and after the transfer of assets.
Transactions carried out by the company in 2009 were measured in a continuity of values. The company recorded in the balance sheet balances equal to figures which would have been disclosed if the companies combined had always been joined. In particular, as they are transactions in which Hera is the selling company, any capital gains were not recorded in the income statement, but accounted for in shareholders' equity, as it occurred in the case of the sale of shares in Akron to Herambiente. It should be noted that the selling transaction of the "Waste management" area has already been made in a continuity of values with the consolidated financial statements.

Losses in value - Impairment - As at each balance sheet date and when events or situation changes indicate that the book value cannot be recovered, Hera Spa considers the book value of the tangible and intangible fixed assets in order to assess whether there is any indication that said assets have suffered a reduction in value. If there is any indication in this sense, the recoverable amount of said assets is estimated so as to determine the total of the writedown. The recoverable amount is either the fair value, less sales costs or the usage value, whichever is the greater. Where it is not possible to estimate the recoverable value of an asset individually, Hera Spa estimates the recoverable value of the unit generating the financial flows to which said assets belong. Future cash flows are discounted back at a discount rate (net of taxation) which reflects the current valuation of the market and takes into account the risks associated with the specific business activities.

If the recoverable amount of an asset (or of a unit generating financial flows) is estimated as lower than the related book value, the book value of the assets is reduced to the lower recoverable value and the impairment is booked to the income statement. When there is no longer any reason for a writedown to be maintained, the book value of the asset (or the unit generating financial flows), with the exception of goodwill, is restated at the new value deriving from the estimate of its recoverable value; however, this new value cannot exceed the net book value which the asset would have had if the writedown had not been made for the loss in value. The write-back of the value is charged to the income statement.

Treasury shares - In application of IAS 32, treasury shares are recognised as a reduction in shareholders' equity. Also, any differences generated by future purchase or sale transactions are recorded directly as changes in shareholders' equity, without passing via the income statement.

Equity investments and securities – The equity investments recorded in this item relate to long-term investments.

Equity investments in subsidiaries – A subsidiary is an enterprise over which the Company is able to exercise control. Control means the power to determine an entity's financial and management policies in order to obtain benefits from its activities.

Investments in associated companies – An associated company is a company over which the Company is able to exercise significant influence, (but not control, or joint control), by means of participation in the decisions on the financial and operating policies of the investee company.

Equity investments in subsidiary and associated companies are recorded at cost adjusted by impairments to reflect the relative recoverable value, in accordance with IAS 36 – Impairment of assets. When the impairment ceases to exist or is reduced, the book value is increased to the estimated recoverable value, which cannot however exceed the original cost. The write-back is charged to the income statement.

If the Company's interest in the losses of the investee company exceeds the book value of the equity investment, the value of the investment will be written off and the interest in the further losses will be recorded as liability provision if the Company is to be held liable.

Dividends received are recorded in the income statement, at the time the right to receive payment is established, only if they derive from distribution of profit arising after acquisition of the investee. If, instead, they derive from distribution of the investee's reserves existing prior to acquisition or from a distribution of capital reserves, these dividends are entered as a reduction in the cost of said equity investment.

Other equity investments and securities – The other equity investments and securities belong to the category anticipated by IAS 39 "financial assets available for sale" (commented on hereunder in the specific paragraph). They comprise instruments representative of shareholders' equity and are stated at fair value and booked to shareholders' equity. When the market price or fair value cannot be calculated, they are assessed at cost and can be adjusted if there are losses of value.

If the reasons for the write-down cease to exist, the investments carried at cost are revaluated within the limits of the write downs made and the effect is booked to the income statement, or to shareholders' equity if the investments are held as assets available for sale. The risk deriving from any losses exceeding the book value of the investment is recorded in a specific reserve to the extent that the holder is obliged to fulfil legal or implicit obligations vis-à-vis the investee company or in any event cover its losses.

As more fully specified hereunder, the financial assets that the Company intends or is able to maintain until maturity are stated at cost, represented by the fair value of the initial payment made in exchange, increased by the transaction costs. Following initial registration, the financial assets are valued on an amortised cost basis using the effective interest rate method.

Receivables and Financial Assets – Hera Spa classifies financial assets in the following categories:

- assets valued at fair value with matching entry in income statement;
- receivables and loans;
- financial assets held until maturity;
- financial assets available for sale.

Management determines their classification when they are first recorded.

Financial assets valued at fair value with matching entry in income statement

This category includes the financial assets acquired for short-term trading purposes, in addition to the derivatives, which are described in the specific paragraph below. The fair value of these instruments is determined by referring to the market value on the date the registration period ends. Changes in fair value of the instruments belonging to this category are immediately recorded in the income statement.

Classification under current and non-current reflects management's expectations regarding their trading: current assets include those whose trading is expected within 12 months or those identified as held for trading.

Receivables and loans

The category includes assets not represented by derivative instruments and not listed on an active market, from which fixed or determinable payments are expected. These assets are valued at amortised cost on the basis of the effective interest rate method. Should there be objective proof of indicators of impairments, the value of the assets is reduced to such an extent as to be equal to the discounted value of the flows that can be obtained in the future: the impairments determined via impairment testing are recorded in the income statement. If reasons for the previous writedowns cease to exist in subsequent periods, the value of the assets is reinstated up to the value that would have derived from applying the amortised cost if the impairment testing had not been carried out. These assets are classified as current assets, except for the portions accruing after 12 months, which are included amongst the non-current assets.

Financial assets held to maturity

Unlike derivative instruments, these assets are those with a pre-established maturity, and for which Hera Spa plans to, and is able to, keep them in the portfolio until maturity. They are of an insignificant amount in the consolidated financial statements. They are classified as current assets if their contractual maturity is expected within the next 12 months. Should there be objective proof of indicators of impairment, the value of the assets is reduced to such an extent as to be equal to the discounted value of the flows that can be obtained in the future: the impairments determined via impairment testing are recorded in the income statement. If reasons for the previous writedowns cease to exist in subsequent periods, the value of the assets is reinstated up to the value that would have derived from applying the amortised cost if the impairment testing had not been carried out.

Financial assets available for sale

Financial assets not represented by derivative instruments designated expressly as falling within this item or not classified in any of the previous items are included in this category. They are of an insignificant amount in the consolidated financial statements. These assets are valued at fair value, the latter determined by referring to the market prices at the balance sheet date, infra-annual situations or using financial measurement techniques and models, recording their change in value with matching entry in a specific shareholders' equity provision ("provision for assets available for sale"). This provision goes back to the income statement only when the financial asset is actually sold or, in the case of negative changes, when the value reduction already recorded in the shareholders' equity is found to be unrecoverable. Classification as current or non-current asset depends on management's plans and on the real negotiability of the security: those whose encashment is expected during the next 12 months are recorded as current assets.

Should there be objective proof of indicators of impairments, the value of the assets is reduced to such an extent as to be equal to the discounted value of the flows that can be obtained in the future: the negative value changes previously recorded in the shareholders' equity reserve are transferred to the income statement. The impairment previously booked is restored if the circumstances that brought about its recording no longer exist.

Environmental bonds – Hera Spa is subject to the various environmental standards enacted (Directive 2003/87/EC – Emission Trading; Italian Ministerial Decree 24/05 and subsequent modifications – Green Certificates; Italian Ministerial Decree 20.07.04 – Energy Efficiency Bonds) that require that the obligations established through use of certificates or bonds be observed. Therefore, the Group is obliged to meet a need in terms of grey certificates (emission trading), green certificates and white certificates (energy efficiency bonds).

Developing markets on which these bonds/certificates are handled has also made it possible to initiate a trading activity.
The bonds are valued according to the destination they are assigned to.
The bonds held to meet the company's requirement are recorded as assets at cost.
The environmental bonds assigned free of charge are initially recorded at a nil value. If the bonds in the portfolio prove to be insufficient to meet the need, a special provision is set aside to guarantee adequate coverage when the bonds are delivered to the operator.
The bonds exceeding the need (assigned objective) are recorded as assets and marked as held for trading.

Other non-current assets – These are stated at their par value, and possibly adjusted for any losses in value corresponding to "amortised cost".

Trade receivables – Trade receivables are recorded at amortised cost, adjusted for impairment. Financial assets are recorded and reversed from the financial statements on the basis of the date of transaction; furthermore, these assets are reversed in the event of sale which transfers all risks and benefits associated with their management to third parties.

Contract work in progress – When the result of a contract can be reliably estimated, contract work in progress is valued on the basis of the contractual payments accrued with reasonable certainty, on a percentage of completion basis (cost-to-cost), so as to allocate the revenues and the economic result of the contract to the pertinent individual accounting periods, in proportion to the stage of completion of the work. The positive or negative difference between the value of the contracts and the advance payments received is recorded respectively among the balance sheet assets or liabilities. Contract revenues, in addition to the contractual payments, include the variations, the price review and the recognition of the incentives up to the extent it is probable that they represent effective revenues which can be determined reliably.

When the result of a contract cannot be reliably estimated, the revenues referable to the related contract are recorded solely within the limits of the contract costs incurred which will probably be recovered. The contract costs are recorded as expenses during the accounting period in which they are incurred.

When it is probable that the total contract costs will be greater than the contractual revenues, the expected loss is immediately stated at cost.

Inventories – Inventories are recorded at purchase cost, including directly chargeable related costs, or net estimated realizable value, whichever is the lower. Cost is determined on the basis of average cost weighted on a continual basis. The net realizable value is calculated on the basis of the current costs of the inventories at year end, less the estimated costs necessary for achieving the sale.

The value of obsolete and slow-moving stock is written down in relation to the possible use or realization, by means of the provision of a specific materials obsolescence allowance.

Inventories of work in progress and finished products are valued at weighted average manufacturing cost for the period, which comprises the raw materials, the consumables and the direct and indirect production costs excluding general expenses.

Cash and cash equivalents – The item relating to liquid funds and cash equivalents includes cash and bank current accounts and deposits repayable on demand and other short-term financial investments with high liquidity that are readily convertible into cash and are subject to an insignificant risk regarding their change in value.

Financial liabilities – These are initially stated at cost, corresponding to the fair value of the liability net of the transaction costs that are directly attributable to the issue of said liability. Following the initial statement, financial liabilities, with the exception of derivatives, are valued on the basis of amortised cost, using the original effective interest rate method.

Employee leaving indemnity and other employee benefits – The liabilities relating to the defined-benefits plans (such as employee leaving indemnities - TFR) are calculated net of any assets serving the plan on the basis of actuarial suppositions and on an accruals basis, in line with the employment services necessary for obtaining the benefits; the valuation of the liability is checked by independent actuaries. The portion of net cumulative value of the actuarial gains and losses exceeding 10% of the current value of the obligation for benefit plans established at the end of the previous financial year is amortised on the remaining average working life of the employees (corridor method). Following the Italian Finance Bill no. 296 of 27 December 2006, companies with more than fifty employees and for quotas accrued as of 1 January 2007, the TFR is a defined benefit plan.

Provisions for risks and charges – The provisions for risks and charges comprise the amounts set aside in the financial statements on the basis of current obligations (as emerging from past events) in connection with which Hera Spa believes it probably will have to meet. The provisions are set aside on the basis of the best estimate of the costs required to meet the fulfilment, as of the balance sheet date (with the assumption that there are sufficient elements for being able to make this estimate) and are discounted back when the effect is significant and the necessary information is available. In such an event, the provisions are determined by discounting back the future cash flows at a pre-taxation discount rate which reflects the current market valuation and takes into account the risk associated with the business activities. When the discounting back is carried out, the increase in the provision due to the passing of time is recorded amongst the financial charges. If the liability is associated with a tangible asset (such as the recovery of sites), the provision is recorded as a matching entry to the asset to which it refers and the recording of the charge in the income statement takes place by means of the depreciation process of the tangible fixed asset to which the charge refers. The methods envisaged by IFRIC 1 are adopted if liabilities are recalculated.

Trade payables – These refer to commercial supply transactions and are recorded at amortised cost.

Other current liabilities – These concern sundry transactions and are stated at par value, corresponding to the amortised cost.

Derivative financial instruments – Hera Spa holds derivative instruments for the purpose of hedging its exposure to the risk of interest rate fluctuations.

The transactions which, in observance of the risk management policies, satisfy the requisites laid down by the accounting standards for hedge accounting treatment are classified as "hedging" (recorded in the terms indicated below), while those which, despite being entered into for hedging purposes, do not satisfy the requisites required by the standards, are classified as "trading". In this case, the fair value changes of the derivative instruments are recorded in the income statement during the period when they take place. Fair value is determined on the basis of the market reference value.

For registration purposes, the hedging transactions are classified as "fair value hedges" if they cover the risk of fluctuation in the market value of the underlying asset or liability; or as "cash flow hedges" if they cover the risk of changes in financial flows deriving both from an existing asset or liability, or from a future transaction. As far as derivative instruments classified as fair value hedges are concerned, which observe the conditions for the accounting treatment as hedging transactions, the gains and losses deriving from the determination of their market value are booked to the income statement. The gains and losses deriving from the adjustment to fair value of the hedged item are also booked to the income statement.

The changes in fair value of derivatives classified as cash flow hedges and that qualify as such, they are recorded in a special shareholders' equity reserve ("cash flow hedge reserve") but only referring to the "effective" amount, which is then recorded in the income statement at the time of economic manifestation of the underlying hedged object. The change in fair value referring to the ineffective portion is immediately recorded in the income statement of the period. If the underlying transaction should no longer be considered highly probable, or the hedging relationship can no longer be demonstrated, the corresponding portion of the "cash flow hedge reserve" is immediately recorded in the income statement. If, on the other hand, the derivative instrument is sold and therefore the hedging of the risk for which the transaction was created no longer qualifies as effective, the amount of "cash flow hedge reserve" relating to it is kept until the economic effects of the underlying contract arise.

The derivatives embedded in financial assets/liabilities are separated out and valued independently at fair value, except for cases where, as provided for by IAS 39, the strike price of the derivative as at the date of activation is close to the determined value, on the basis of amortised cost, of related asset/liability. In such case, the measurement of the incorporated derivative instrument is absorbed in the measurement of the financial assets/liabilities.

Grants – Capital grants are stated in the income statement over the period necessary for correlating them to the related costs; they are represented in the balance sheet by recording the grant as deferred revenue. Operating grants, including those received from users for connection purposes, are considered to be revenues for services carried out during the accounting period and are therefore recorded on an accruals basis.

Revenue recognition - Revenues and income are stated net of returned items, discounts and rebates, and net of taxes directly related to the sales of products and services rendered. They are broken down into revenues deriving from operating activities and financial income which accrues between the sale date and the payment date.

Specifically:

- revenues from energy, gas and water sales are recognised and recorded at the moment of the provision of the service and include the services provided but not yet invoiced (estimated on the basis of historical analyses determined according to previous consumption levels),
- revenues from services rendered are recognised on the basis of services provided and in compliance with the relevant contracts;
- revenues from the sale of goods are recognised at the time Hera Spa transfers the significant risks and benefits associated with ownership of the assets to the purchaser,
- costs are stated in accordance with the accruals principle.

Financial income and charges – Financial income and charges are recognised in accordance with the accruals principle.

Dividends of "other companies" are charged to the income statement at the time when the right to receive their payment is established, only if deriving from distribution of profit subsequent to the investee company's acquisition. If, instead, they derive from distribution of the investee's reserves existing prior to acquisition or from a distribution of capital reserves, these dividends are entered as a reduction in the cost of said equity investment.

Income taxes for the year - Income taxes for the year represent the sum of current and deferred taxes. Current taxes are based on the taxable income for the year. Taxable income differs from the result recorded in the income statement, as it excludes positive and negative components which will be taxable or deductible in other years, and excludes items which will never be taxable or deductible. Current tax liabilities are calculated using current tax rates in force at the balance sheet date, and are recorded under the item "income taxes payable". In calculating the taxes for the year, the Company duly considered the effects deriving from the IAS tax reform introduced by Italian Law No. 244 of 24 December 2007, and in particular the enhanced principle of derivation set forth under Article 83 of the FCA that now envisages that "the criteria of qualification, time allocation and classification in the financial statements envisaged by the international accounting standards" apply to parties that apply the international accounting standards, also in derogation of the provisions of the FCA.

For the purposes of IRES (corporation tax) the Company has opted to use the "domestic tax consolidation" system with the major subsidiary companies. To this end, a special contract has been entered into with each subsidiary by which to regulate the tax items transferred with specific reference to current taxes. Prepaid and deferred taxes calculated when determining the income of the subsidiaries are not transferred to the Parent Company Hera Spa, but remain under the individual subsidiary.

Deferred taxes are calculated having regard to the temporary differences in taxation, and are recorded under item "deferred tax liabilities". The deferred tax assets are recorded to the extent in which their existence is considered probable in the years when their temporary differences will be reversed of a taxable income at least equal to the amount of the differences that will be offset.

Deferred and prepaid taxes are determined on the basis of the tax rates in force at the time the temporary differences are recorded. Any variations, as a result of amendments to taxes and/or to rates, will be recorded in the year in which the new provisions will come into force and will become effectively applicable. These changes are charged to the income statement, or the shareholders' equity, depending on how the difference was originally charged.

Translation of foreign currency balances – The functional and reporting currency adopted by Hera Spa is the Euro. Foreign currency transactions are initially recorded using the exchange rate in force as of the transaction date. Foreign currency assets and liabilities, with the exception of fixed assets, are recorded using the exchange rate in force as at the period end date and the related exchange gains and losses are duly charged to the income statement; any net gain which might arise, is set aside in a specific restricted reserve until the date of realization.

Transactions with related parties – Transactions with related parties take place on an arms'-length basis, in observance of efficiency and economic criteria.

Accounting standards, amendments and interpretations applicable from 1 January 2009

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

IFRS 8 – Operating Segments. Applicable from 1 January 2009, supersedes the previous IAS 14 – Segment Reporting. The new standard requires disclosing greater and more thorough information on data divided by business sectors, as well as identification criteria of operating segments. Information supplied is the same as information taken as reference by the corporate management to take operating decisions.

IAS 23 Revised – Borrowing Costs. Applicable from 1 January 2009, this envisages the obligation of capitalising the financial charges incurred for investments in assets for which a period of time is required to make them ready for use or sale, while the previous version of the standard only envisaged the faculty to capitalise said charges. This standard was further amended following the issue of improvements: in particular, a new definition of financial charges was included for capitalisation purposes. The adoption of this standard has no accounting effects on the Hera Group.

IAS 1 Revised – Presentation of the Financial Statements. Applicable from 1 January 2009. According to the new standard, the statement of changes in shareholders' equity must reflect only transactions made with shareholders who act as shareholders. Meanwhile, all transactions carried out with third parties (comprehensive income) shall be included in the statement of comprehensive income. The new standard set out the possibility to disclose either one single format of income statement, or two separate formats immediately consecutive (separate income statement and statement of other components of comprehensive income). The Group adopted this second possibility and also resolved, as provided for by the standard, to disclose the other components of the comprehensive income statement net of taxation.

Amendments to IAS 27 – Cost of an Investment in a Subsidiary, joint venture and associated company. Applicable from 1 January 2009. The definition of "cost method" is eliminated from IAS 27. Therefore the company shall disclose all dividends of a subsidiary, joint venture or associated company as assets in the separate balance sheet, even if dividends are paid as reserves prior to the acquisition. Amendments to IAS 27 also clarify the methods to determine the cost of an investment when a Parent Company reorganizes the operating structure of its Group. The adoption of this standard has no accounting effects on the Hera Group.

It is worth noting that, effective on 1 January 2009, standards IFRIC 13 "Customer Loyalty Programmes", IFRIC 14 "Defined Benefit Assets and Minimum Hedging Criteria", the amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards", the amendment to IFRS 2 "Vesting Conditions and Cancellations" and the amendment to IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 1 "Financial Statements: Presentation" regarding puttable financial instruments and bonds in case of liquidation, entered into force, along with IFRS 4 regarding insurance agreements. However, the above-mentioned standards and amendments, have not, up to date, been applied by the Hera Group.

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

Improvement IAS 1 – Presentation of the Financial Statements. The update requires that assets and liabilities resulting from derivative financial instruments that are not held for trading are classified in the balance sheet by making a distinction between current and non-current assets and liabilities.

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

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

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

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

Improvement IAS 27- Equity Investments. It is indicated that in the separate financial statements of a company, equity investments in subsidiary, associated and jointly-controlled companies must be recorded at cost or in compliance with IAS 39 and the same criteria for each category of equity investments must be applied. The accounting standard adopted by the Group was aligned to the new provisions

Improvement IAS 36 – Impairment of Assets. This improvement sets forth that additional information should be given if the company defines a recoverable value of cash generating units by using the method of cash flow discounting. The Group considered these aspects at the time of financial statement disclosure for 2009.

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

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

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

In conclusion, mention is made of the disclosure update required by the amendments of IFRS 7 in force as from 2009, without any particular impact for the Group.
The accounting standards already in force and not amended, adopted during 2009, are unchanged with respect to the previous year.

Accounting standards approved by the European Union but not yet compulsory

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

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

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

Amendments to IAS 32 – Financial Instruments: Disclosure. These changes relate to the classification in the financial statements of rights issued (warrants, options) and are applicable as from the financial statements which commence after 1 February 2010 (therefore as from the 2011 accounting period for the Group).

Amendments to IFRIC 9: Recalculation of the value of the incorporated derivatives and to IAS 39- Financial instruments: Recognition and Measurement. The changes discipline specific reference dates for the valuation and criteria for the valuation of the same with regard to incorporated derivatives. This interpretation will not have any impact on the policies already applied by the Group.

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

IFRIC 15 – Agreements for the Construction of Real Estate. The interpretation supplies clarifications and inputs as to timing according to which revenues from the construction of real estate should be recognised, or whether an agreement for the building would be included in the application of IAS 11 Long-term construction Contracts or IAS 18 Revenue. This interpretation should not have any effects at Group level.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation. The interpretation clarifies the methods of applying the international accounting standards IAS 21 and IAS 39 in the cases in which an entity hedges the exchange risk deriving from own net equity investments in a foreign operation. This interpretation should not have any effects at Group level.

IFRIC 17 – Distribution of Non-Cash Assets to Owners. The interpretation disciplines the recording of dividends disbursed in different ways with respect to cash and cash equivalents. This interpretation should not have any effects at Group level for the time being.

IFRIC 18 – Transfers of Assets from Customers. The interpretation, applicable as from the 2010 accounting period, disciplines the recording of amounts collected from customers carried out via assets other than cash and cash equivalents. The Group is currently assessing any effects deriving from this interpretation.

Accounting standards which are being adopted by the European Union

The following updates of the main IFRS (already approved by the IASB), as well as the following interpretations and amendments, are currently being acknowledged by the competent bodies of the European Union:

IFRS 1 Revised – First-time Adoption of International Financial Reporting Standards
IAS 24 Revised – Related Parties
IFRIC 19- Extinguishing Financial Liabilities with Equity Instruments
IFRS 9- Financial Instruments, whose endorsement requires timescales which are not immediate
Amendments to IFRIC 14 – The Limit on a Defined Benefit Asset and Minimum Funding Requirements.

Risk management

Credit risk

Hera Spa operates in business areas with low levels of credit risk given the nature of its activities and due to the fact that its credit exposure is spread over a large number of customers. The reference market is the Italian market. Assets are recognised in the financial statements net of any writedowns determined on the basis of the default risk of the counterparties, taking into account the information available on solvency and the historical data.

Liquidity risk

Liquidity risk for Hera Spa may arise from difficulties in obtaining financing to support its operations within good time. Cash flows, financing needs and the liquidity of the Group's companies are centrally monitored or managed, under the control of the Group's Treasury Department, for the purpose of ensuring an efficient and effective management of financial resources.
The financial planning of requirements, focused on medium-term borrowings, and the availability margins on credit facilities, allow an efficient management of liquidity risk.

Exchange rate risk and interest rate risk

Hera Spa is not subject to exchange rate risk as it operates almost exclusively in the Italian market, both in relation to the sale of its services and the procurement of goods and services. As for interest rate risk, Hera Spa regularly assesses its exposure to the risk of interest rate fluctuations and manages this risk by means of derivative financial instruments, in accordance with its risk management guidelines. Under these guidelines, the use of derivative financial instruments is restricted to the management of exposure to interest rate fluctuations related to cash flows and balance sheet assets and liabilities. These policies do not enable speculative activities to be carried out.

Significant estimates and valuations

Use of estimates

Arrangement of the financial statements and related notes requires the use of estimates and valuations by the directors, with regard to the balance sheet figures, based on historical data and on the forecasts of specific events that are reasonably likely to occur on the basis of currently available information. These estimates, by definition, are an approximation of the final figures. Hence the main areas characterised by valuations and assumptions that could give rise to variations in the values of assets and liabilities by the next accounting period are set forth below.
Specific information is provided on the nature of these estimates and the assumptions on which they have been based, with indication of the reference book values.

Impairment of goodwill

Hera Spa carries out an impairment test on goodwill at least once a year. This test is based on the calculation of its value in use, which requires the use of estimates, as specified in paragraph 18 of this note.

Allocations to provisions for risks

These provisions have been made by adopting the same procedures as previous years and hence by referring to the updated reports of the legal counsel and the consultants following the disputes, as well as on the basis of developments in the related proceedings. The paragraph relating to provisions for risks sets out the assumptions used to estimate the provision for risks relating to INPS (Social Security) disputes.

Disclosure of revenues

Revenues for the sale of electricity, gas and water are recognised and accounted for at supply and include the allocation for services rendered between the date of the last reading and the ending of the financial year. This allocation is based on estimated of the customer's daily consumption, based on the historic profile, adjusted to reflect the weather conditions or other factors which might affect consumption under evaluation.

3. Revenues

	2009	2008	Change
Treatment and disposal services	401,053	428,804	(27,751)
Integrated Water Service	377,332	356,018	21,314
Gas Distribution	133,782	127,506	6,276
Services for third parties	106,893	84,090	22,803
Production and distribution of electricity	86,558	82,226	4,332
Group services	84,998	617,968	(532,970)
District heating	63,892	59,940	3,952
Public Lighting	38,232	33,885	4,347
Cemetery and funerary services	8,486	9,400	(914)
Tariff equalisation of gas distribution	7,457	-	7,457
Rents for services under concession and service management	6,064	8,867	(2,803)
Other services rendered	1,061	2,951	(1,890)
Tariff equalisation of electricity distribution	(2,005)	-	(2,005)
Total	**1,313,802**	**1,811,657**	**(497,855)**

The analysis of differences must take account of the different structure of the company. In particular, revenues from waste collection and disposal decreased due to the transfer of the “waste management area”, while Group services, related to 2008 amounts charged to territorial operating companies, are reduced by effect of the spin-off already described.

Please see the Directors’ Report for the analysis of sales trends by business sector.

Reference is made to paragraph 03.03.02 for the description of the Group structure and following invoicing relations, both assets and liabilities, amongst the various companies, especially for “Group services”.

Item “services for third parties”, also including connection contributions, shows a significant increase compared to the previous year, due to works carried out on incinerators, on behalf of Herambiente.

Revenues for “Other services rendered” include the invoicing of “sundry services” for a negligible amount provided to municipalities and private customers.

Reclassifications for some items, with respect to amounts shown in year 2008, are shown hereunder:

Revenues from sales and services	2008 published	reclassification	2008 reclassified
Revenues from waste collection and disposal	437,672	(437,672)	-
Collection and disposal services	-	428,804	428,804
Rents for services under concession and service management	-	8,867	8,867
Revenues from gas distribution to third parties	10,963	(10,963)	
Gas Distribution	-	10,963	10,963
Revenues from sale of electricity	47,126	(47,126)	
Production and distribution of electricity	-	47,126	47,126
Revenues from subsidiaries	769,612	(769,612)	-
Gas Distribution	-	116,543	116,543
Production and distribution of electricity	-	35,100	35,100
Group services	-	617,969	617,969
Total	**1,265,373**	**0**	**1,265,373**

Highlights	
Total Gas distribution, reclassification	127,506
Total production and distribution of electricity, reclassification	82,226
Total waste collection and disposal, reclassification	428,804
Total rents for services under concession and service management	8,867
Total group services, reclassification	617,969

4. Change in inventories of finished products and work in progress

	2009	2008	Change
Change in contract work in progress	(2.803)	-	(2.803)
Total	**(2.803)**	-	**(2.803)**

The increase is mainly due to works on third party's plants, carried out by territorial operating companies over 2009.

5 Other operating income

	2009	2008	Change
Termination of lease contracts of gas and district heating business units	16,841	-	16,841
Operating grants and grants for separate waste collection	12,538	11,412	1,126
White certificates	10,938	8,998	1,940
Recharges to Group companies for costs incurred for directors' fees, real estate services, fleet management and administrative bodies' fees	9,357	9,565	(208)
Profits from the sale of assets	7,313	3,079	4,234
Leases	3,671	5,411	(1,740)
Insurance reimbursements	3,083	2,558	525
Portions of capital grants for plants	2,678	2,596	82
Re-assessment of provisions	1,768	10,280	(8,512)
Costs reimbursed	1,449	3,314	(1,865)
Use of provisions	1,200	1,740	(540)
Sales of materials and stock to third parties	615	134	481
Capital gains on sales from disposal of business units	-	3,500	(3,500)
Other revenues, reimbursements and income	7,893	7,506	387
Total	**79,344**	**70,094**	**9,250**

The most significant changes that have occurred compared to 2008 are noted below.

As part of the share capital increase of the parent company and following the transfer of the gas and district heating networks, the termination of lease contracts of the gas and district heating business units with the company Area Asset Spa and Con.Ami generated non-recurrent extraordinary income equal to Euro 16,841 thousand. For a more exhaustive information on the nature of the transaction, reference is made to the Directors' Report and the paragraph of corporate transactions occurred during 2009.

Item "operating grants and grants for separate waste collection" shows an increase of Euro 1,126 thousand, due to:

- Euro 899 thousand for higher volumes of packaging (plastic, glass, wood) deriving from the separated waste collection and sold to the Consortiums of the Conai Chain;
- Euro 227 thousand for grants paid to Hera Spa by the Raee Coordination Centre (electric and electronic equipment waste) based on the provisions of the programme agreement entered into with Anci on 18 July 2008, regarding the new Raee management system.

Capital gains on sales of goods: it should be especially noted that the sale of real estate properties in Bologna - Via Tolmino (building used as garage for vehicles used for the waste management services) and Viale Berti Pichat (building near Via Ranzani), generated Euro 1,779 thousand and Euro 3,318 thousand in capital gains, respectively. Moreover, capital gains generated from the sale of devices for telecommunications amounted to Euro 1,430 thousand.

Leases: a decrease of Euro 1,740 thousand, mainly due to a different classification of a rental related to telecommunications was recorded. In 2009, this amount was accounted for under revenues.

Insurance reimbursements: an increase of Euro 525 thousand is mainly due to the spin-off of territorial operating companies.

Re-assessment of other provisions: these are mainly composed of the provision of future costs for electricity service rendered (Euro 1,463 thousand), from provision for sundry risks (Euro 274 thousand) and provision for staff disputes and legal costs (Euro 31 thousand).

Reimbursement of costs: a decrease of Euro 1,865 thousand, due to lower recovery of expenses from companies or entities as for seconded personnel, is shown.

Use of provisions: this item recorded a decrease of Euro 540 thousand due to the lower costs incurred for post-closure management of closed landfills. This management was transferred to Herambiente as from 1 July 2009, through the transfer of the “waste management area” of Hera Spa.

Capital gains on sales from disposal of business units: this item is related to 2008 and refers to capital gains generated following the transfer of the business unit regarding the management of water production plants in the territories of AATO in Forlì, Cesena, Ravenna and Rimini, to Romagna Acque Spa.

Other revenues, reimbursements and income: this item includes revenues related to the contract signed between Hera Spa and ICQ Holding Spa for the exploitation of energy from biogas produced by landfills managed by Hera Spa, up to 30 June 2009, for an amount of Euro 1,000 thousand, which represent the greater balance difference with respect to 2008.

It is specified that, as for item other operating revenues, one single table was shown, while in the previous year, item “Other revenues” was broken up separately.

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

	2009	2008	Change
Methane for industrial use	46,096	32,632	13,464
Electricity for industrial use	45,531	47,331	(1,800)
Water	33,451	8	33,443
Maintenance materials: handling and spare parts net of change on stock	33,241	6,559	26,682
Electricity ready for sale	10,730	14,278	(3,548)
Chemical products	10,042	2,649	7,393
Fuels and lubricants	8,441	11,019	(2,578)
Fuels for heat management	5,268	4,398	870
Consumables and sundry materials	431	1,629	(1,198)
Methane ready for sale and LPG, net of change on stock	52	123	(71)
Total	**193,283**	**120,626**	**72,657**

The main changes compared to year 2008 are shown hereunder.

Please see the Directors' Report for the analysis of trends in the costs of raw materials and consumables.

Item "Electricity ready for sale" is net of the effect of the valuation of grey and green certificates.

Increases in items "Water", "Maintenance materials", "Methane for industrial use", "Chemical products", compared to 2008, are due to the spin-off of territorial operating companies.

7 Service costs

	2009	2008	Change
Charges for works and maintenance	176,246	89,194	87,052
Waste transportation, disposal and collection services	140,075	87,776	52,299
Services rendered to Group companies	113,134	1,037,494	(924,360)
Fees paid to local authorities	68,982	71,023	(2,041)
IT and data processing services	26,409	24,425	1,984
Postal and telephone costs	18,762	16,034	2,728
Organization, legal and tax assistance consultancy	10,654	8,381	2,273
Insurances	8,712	9,476	(764)
Rents and leases payable	8,211	12,786	(4,575)
Recruitment, training and other staff costs	7,722	4,427	3,295
Technical services	7,520	2,958	4,562
Rents payable	7,383	9,451	(2,068)
Bank fees and charges	6,506	5,980	526
Other costs for services rendered	5,374	7,358	(1,984)
Meter readings	4,187	-	4,187
Industrial utilities (water, methane, heat and electricity)	4,155	3,250	905
Announcements and advertising	4,090	2,420	1,670
Cleaning and security services	3,880	3,371	509
Remuneration to Statutory Auditors and Directors	3,281	2,398	883
Laboratory analyses	2,207	3,548	(1,341)
Transportation and stock	371	205	166
Totals	**627,859**	**1,401,955**	**(774,096)**

The main changes compared to year 2008 are shown hereunder.

The item “Services rendered to Group companies” includes the costs generated by service contracts entered into between Hera Spa and some subsidiary companies such as Herambiente Srl and Hera Comm Srl. To this purpose, reference is made to paragraph 3.03.02 “Relationships with related parties” It should be highlighted that the balance remarkably decreased as, in 2008, it included amounts awarded to territorial operating companies as a payment of their services rendered based on existing service contracts.

The item “fees paid to local authorities” includes the charges incurred for the use of public owned networks, fees paid to asset companies for the rent of gas, water and electricity cycle assets and the leasing of the drop-off points. The decrease in this item reflects the cancellation of fees to be paid for gas and district heating networks transferred by Con.Ami and Area Asset Spa.
Comments on changes in the main operating costs compared with the previous financial year are contained in the report on operations.

The decrease in item “Rents and leases payable” and “Rents payable” is mainly due to the transfer of the "Waste management area" to Herambiente and the redetermination of fees applied to Group companies for the management of telecommunication services.

Item "Remuneration to Statutory Auditors and Directors" includes costs borne for Hera Spa and territorial operating companies resulting from the spin-off. The values regarding Hera Spa only, are reported in paragraph 3.03.02 “Relationships with related parties”.

The main changes, compared to 2008, are ascribable to the spin-off of territorial operating companies.

Reclassifications made for some items recorded in the financial statements as at 31 December 2008 are shown below:

	2008 published	reclassification	2008 reclassified
Technical, organization, legal and tax assistance consultancy	10,943	(10,943)	-
Organization, legal and tax assistance consultancy	-	7,986	7,986
Technical services	-	2,958	2,958
Costs for services rendered to Group companies	1,037,957	(1,037,957)	-
Services rendered to Group companies	-	1,037,494	1,037,494
Other costs for services rendered	-	463	463
Charges for works and maintenance	89,317	(89,317)	-
Charges for works and maintenance	-	89,194	89,194
Cleaning and security services	-	1	1
Other costs for services rendered	-	122	122
Cleaning and security services	3,370	(3,370)	-
Cleaning and security services	-	3,370	3,370
Other	6,317	(6,317)	-
Other costs for services rendered	-	6,317	6,317
Announcements, advertising and disputes	2,877	(2,877)	-
Announcements and advertising	-	2,420	2,420
Other costs for services rendered	-	456	456
Recruitment, training and other staff costs	4,822	(4,822)	-
Recruitment, training and other staff costs	-	4,427	4,427
Organization, legal and tax assistance consultancy	-	395	395
Rents and leases payable	12,731	(12,731)	-
Rents and leases payable	-	12,731	12,731
Rents payable	9,506	(9,506)	-
Rents payable	-	9,451	9,451
Rents and leases payable	-	55	55
Total	**1,177,840**	**0**	**1,177,840**

Highlights	
Total costs for works and maintenance, reclassification	89,194
Total services to Group companies, reclassification	1,037,494
Total organization, legal and tax assistance consultancy	8,381
Total rents and leases payables, reclassification	12,786
Total recruiting, training and other staff costs	4,427
Total technical services, reclassification	2,958
Total rents payables, reclassification	9,451
Total other costs for services, reclassification	7,358
Total announcements and advertising, reclassification	2,420
Total cleaning and security services, reclassification	3,371

8. Personnel costs

The breakdown of personnel costs in the two financial years is as follows:

	2009	2008	Change
Wages and salaries	172,292	46,006	126,286
Social security contributions	56,957	14,740	42,217
Employee leaving indemnity	261	829	(568)
Other costs	14,978	3,712	11,266
Total	**244,488**	**65,287**	**179,201**

The increase of personnel cost, as well, is generally due to the spin-off of the territorial operating companies, as well as the increase in the average cost related to salary increases.

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

	2009	2008	Change
Executives	85	66	19
Middle management	212	110	102
White-collar workers	2,075	571	1,504
Blue-collar workers	2,202	230	1,972
Average number	**4,574**	**977**	**3,597**

9. Amortisation, depreciation and allowances

	2009	2008	Change
Depreciation of tangible fixed assets	114,198	111,045	3,153
Amortisation of intangible fixed assets	36,607	34,236	2,371
Allowances to bad debt provision	9,916	11,851	(1,935)
Provisions for risks	6,564	2,262	4,303
Other	9,521	12,869	(3,348)
Total	**176,807**	**172,263**	**4,544**

A breakdown of these items is provided in the notes to the items "tangible fixed assets", "intangible fixed assets", "trade receivables" and "provisions for risks and charges".

10. Other operating costs

	2009	2008	Change
State rentals	6,533	10,292	(3,759)
Taxation other than income taxes	4,534	3,681	853
of which fees for the occupation of public areas and spaces	*2,204*	*1,550*	654
Membership fees and other fees	1,384	1,271	113
Special landfill levy	3,951	11,295	(7,344)
Losses on the sale of assets	2,917	420	2,497
Losses on receivables	-	40	(40)
Other minor charges	8,384	8,240	144
expenses related to the business purpose	*235*	*83*	*153*
of which fines and penalties	*453*	*602*	*(149)*
of which sundry deductible expenses (mainly contrib. to needy persons)	*4,196*	*2,107*	*2,089*
of which other current costs	*2,503*	*4,396*	*(1,893)*
Total	**27,703**	**35,239**	**(7,536)**

The decrease in state rentals is mainly attributable to the following:

Euro 1,543 thousand to a different classification of the rentals regarding the contract signed for the rainwater collection and removal service in the municipalities of Bologna and province, accounted for, in 2009, under the item services;

Euro 2,057 thousand related to a recalculation of fees for telecommunications with respect to Acantho Spa, a subsidiary since 2009.

The decrease of the special landfill levy, equal to Euro 7,344 thousand, is mainly due to the closure of a landfill in the province of Modena, as well as to the transfer of landfills owned by the “waste management area” of Hera Spa to Herambiente Srl as from 1 July 2009.

Item capital loss on the sale of assets was generated due to:

- sale of a property located in Bologna used as garage for vehicles and equipment for sweeping department, amounting to Euro 95 thousand;
- sale of the Gasometer Area, at the headquarters of Viale Berti Pichat, totalling Euro 525 thousand;
- disposal of electricity meters, totalling Euro 539 thousand;
- damages to some corporate assets, compensated by insurance companies, amounting to Euro 817 thousand;
- disposal of the energy recovery plant at the incinerator of Ravenna Euro 40 thousand;
- damages to the hydraulic plant at the incinerator of Ferrara, Euro 385 thousand.

11. Capitalised costs

During the year the following costs were capitalised in the items “Tangible fixed assets and intangible fixed assets”:

	2009	2008	Change
Personnel costs	32.902	4.598	28.304
Materials from stock	14.611	227	14.384
Capitalisation of financial charges	7.135	11.855	(4.720)
Use of facilities	2.128	-	2.128
Total	**56.776**	**16.680**	**40.096**

This item includes the internal costs incurred for implementation of corporate investments. An analysis of the investments can be found in the notes to the balance sheet assets and to the Directors’ Report. In this case as well, the remarkable increase compared to the previous year is attributable to the spin-off of the territorial operating companies.

12. Portion of profit (loss) pertaining to investee companies

	2009	2008	Change
Income from equity investments in subsidiaries	31,421	79,176	(47,755)
Income from equity investments in associated companies	106	725	(619)
Income from equity investments in other companies	5,486	4,343	1,143
Capital losses from disposal of equity investments in associated companies	-	(634)	634
Capital losses from disposal of equity investments in other companies	-	(6)	6
Total	**37,013**	**83,605**	**(46,592)**

The item "Income from equity investments in subsidiary, associated and other companies" is mainly composed of dividends resolved during the financial year 2009. The decrease compared to 2008 is related to dividends of the territorial operating companies paid in 2009 (with respect to profits made in 2008) which, following the spin-off, were allocated to the reserve for spin-off surplus (Euro 47,943 thousand), as they were included in the reference shareholders' equity for the spin-off (as at 1 January 2009).

The item "Income from equity investments in other companies" mainly regards a 2009 dividend on account paid by Energia Italiana Spa in December.

13. Financial income and charges

Financial income	2009	2008	Change
Income from receivables due from subsidiaries recorded in fixed assets	109	380	(271)
Income from receivables due from associated companies recorded in fixed assets	257	292	(35)
Income from receivables due from other recorded in fixed assets	4	-	4
Other income—from subsidiaries	4	-	4
Other income—from associated companies	187	206	(19)
Customers	806	299	507
Derivatives on interest rates	10,088	7,814	2,274
Banks	192	934	(742)
Other financial income	1,638	242	1,396
Total financial income	**13,285**	**10,167**	**3,118**

Financial charges	2009	2008	Change
Interest expense and other charges to subsidiaries	101	126	(25)
Bond loans	50.471	41.894	8.577
Mortgage expense	7.056	19.961	(12.905)
Discounting of provisions and financial leases	11.554	5.103	6.451
Derivatives on interest rates	23.243	3.958	19.285
Current account overdrafts	7.645	20.213	(12.568)
Other financial charges	19.333	5.668	13.665
Total financial charges	**119.403**	**96.923**	**22.481**

The change in the balance of financial operations is described, overall, in the Report on Operations.

Income and charges on rates highlight a negative net effect, amounting to Euro 13,155 thousand. To this purpose, see Note 22 to the balance sheet.

Item "Other financial income" includes Euro 1,400 thousand of income generated by the renegotiation of the Put Extendable bond, totalling Euro 200 million.

Item "Bonds" comprises the following:

- Euro 37,677 thousand related to financial charges effectively paid;

  Euro 12,794 thousand related to the application of amortised cost. With regard to the method used, please note that in the recalculation, the maximum duration for the loans was assumed, and it was also assumed that the put options would not be exercised for the duration of the same loans, within the terms set out in the contract.

The increase, compared to last year, is mainly due to a new bond loan, called put call reset bond, entered into during the second half of 2008, as well as the issue, in 2009, of a 15-year bond loan for the amount of 20 billion Japanese Yen, with a Euro hedge of around Euro 150 million, and the issue of another bond loan, a Euro 500 million, 4.5% fixed–rate bond, effective as from November 2009.

As for “Other financial charges”, this item mainly includes the following:

Euro 12,254 thousand related to charges paid following the recovery of the “tax moratorium”. To this purpose, for a more thorough description see Note 15 regarding taxes.

- Euro 6,202 thousand for charges related to assignment of credits without recourse;
- Euro 23 thousand in factoring charges.

Item “Discounting of provisions and financial leases”, equal to Euro 11,554 thousand is broken down as follows:

	2009	2008	Change
Restoration of third party assets	6,965	3,614	3,351
Landfill post-closure provision	2,121	94	2,027
Employee leaving indemnity and other employee benefits	2,148	902	1,246
Financial leasing	320	493	(173)
Total	**11,554**	**5,103**	**6,451**

The increase in interests of landfill post-closure provision and provision for the restoration of assets is connected with the decrease of WACC applied for the purposes of the discounting of provisions, and, as regards the provision for the restoration of assets, the increase is also due to the near expiration terms of the provision for the restoration of assets only.

Reclassifications made for some items recorded in the financial statements as at 31 December 2008 are shown below:

Financial income	2008 published	reclassification	2008 reclassified
Interest income on other short-term receivables	150	(150)	-
Other financial income	-	150	150
Income other than above - from third parties	391	(391)	-
Other financial income	-	92	92
Customers	-	299	299
Total	**541**	**0**	**541**

Highlights	
Total Customers from reclassification	299
Total Other financial income from reclassification	242

Financial charges	2008 published	reclassification	2008 reclassified
Financial charges as a result of IAS 19	903	(903)	-
Discounting of financial provisions and leasing	-	903	903
Financial charges generated by the application of "Other international accounting standards"	4,201	(4,201)	-
Discount of financial provisions and leases	-	4,201	4,201
Other	47,561	(47,561)	-
Bond loans	-	41,894	41,894
Other financial charges	-	5,668	5,668
Total	**52,665**	**0**	**52,665**

Highlights	
Total bond loans from reclassification	41,894
Total discount of financial provisions and leases, reclassification	5,103
Total other financial charges from reclassification	5,668

14. Other non-operating costs

	2009	2008	Change
Other non operating costs	15,319	-	15,319
Total	**15,319**	**-**	**15,319**

They refer to charges for taxes, of the non-recurrent type, paid for the "tax moratorium" as per Note 15 hereunder.

15. Income taxes

This item is made up as follows:

	2009	2008	Change
Current taxes (IRES, IRAP and substitute taxation)	50,266	17,799	32,467
Deferred taxes	(9,395)	(1,085)	(8,310)
Prepaid taxes	(731)	(1,327)	596
Total	**40,140**	**15,387**	**24,753**

Taxes for the 2009 financial year, negative by Euro 40,140 thousand, include non recurring effects related to the tax moratorium and amounting to Euro 5,288 thousand, compared to negative taxes of the 2008 financial statements, amounting to Euro 15,387 thousand. The relevant increase of tax rate in 2009, 43.4% compared to 2008, includes 15.4% due to the recovery of the above-mentioned state aids (so-called tax moratorium) as well as the fact that dividends received from spin-off territorial operating companies, equal to around Euro 48 million, were not charged to income statement although their tax effects were measures. This increase was also due to the increase in IRAP taxable base and therefore taxation pertaining to the year, as well as the transfer of the “waste management area" to Herambiente, with following decrease in the result of the second half of the year.

The current taxes are broken down as follows:

Current taxes	2009	2008	Change
Ires	30,230	9,545	20,685
Irap	18,519	6,790	11,729
Substitute tax L. 244/07 - recapture	(280)	(333)	53
Substitute tax “consolidation scope spin-off”	1,797	1,797	-
Total	**50,266**	**17,799**	**32,467**

The theoretical rate determined on the basis of the configuration of taxable income for the purposes of IRES is equal to 27.50%; reconciliation with the effective rate is provided below (IRAP was not taken into consideration given its specific nature).

RECONCILIATION STATEMENT BETWEEN THEORETICAL AND EFFECTIVE RATE Current year	
Ordinary tax rate	27.50%
Income not subject to taxation	-8.68%
Dividends	-24.55%
Other changes	38.93%
Effective tax rate	33.20%

The prepaid and deferred taxes relating to the year 2009 refer to the following variations between taxable income and profit recorded in the financial statements.

	2009			2008		
	Temporary differences	tax effect (27.50% - 31.40% rate)	acquisitions/ disposals	Temporary differences	tax effect (27.50% - 31.40% rate)	acquisitions/ disposals
Prepaid taxes:						
Bad debt provision	27,329	7,515		21,603	5,941	
Provisions for risks and charges	39,000	7,490		38,290	8,180	
Amortisation/depreciation	63,229	18,792		46,052	13,949	
Other	2,880	661		6,942	1,918	
IAS/IFRS effects, including fist application effects	3,588	1,002		5,179	1,494	
Total	***136,026***	***35,460***	***3,247***	***118,066***	***31,482***	***791***
Amount charged to income statement		**731**			**1,327**	
Deferred taxes:						
Extraordinary transactions	170,172	53,418		-	-	
Capital gain instalments	9,514	2,726		10,490	3,103	
Other	7,869	478		2,029	101	
IAS/IFRS effects, including fist application effects	176,077	54,786		213,475	66,881	
Total	***363,632***	***111,408***	***50,718***	***225,994***	***70,085***	***615***
Amount charged to income statement		**9,395**			**1,085**	

While calculating taxes for the year, the effects resulting from the IAS tax reform introduced by Law no. 244 of 24 December 2007, and the related implementation decree, Ministerial Decree no. 48 of 1 April 2009 were kept in duly consideration, and especially the derivation principle set out by Art. 83 of the FCA which now sets out that for entities that apply international accounting standards, also notwithstanding provisions set out by the FCA, “criteria regarding definition, time-based recognition and classification in the balance sheet, as set out by the above-mentioned accounting standards” shall apply.

Information on the tax 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 government aid declared illegitimate by the Ruling of the European Commission no. 2003/193 dated 5 June 2002, on 6 April 2007 Hera Spa (with respect to the position regarding the former Seabo S.p.a) 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 provincial tax commission issued ordinances accepting the suspension requests made by the company, scheduling a hearing of the case for 13 December 2007. On 19 April 2008, notification was made that the appeals had been rejected, except for that relating to the tax period 1997. In this case, the commission recognised the legitimacy of the deduction of tax withheld and of the tax credit carried over from previous years. 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 served a further tax payment slip regarding the payment of interest for the suspension period, then paid in December 2008, and amounting to Euro 660 thousand.
On 3 October 2008, appeals were filed against above-mentioned rulings. On 29 January 2010 the rulings, issued on 21 January 2010, were filed. Based on these rulings, the Emilia Romagna Regional Tax Commission rejected the appeals submitted by Hera Spa and reformed the first-instance rulings, rejecting the deduction made in the income returns submitted and related to withholding taxes paid: to this purpose, the amount expected to be paid, for the only capital share, is equal to Euro 3,362 thousand. As of today, the payment slip has not been received yet. The appeals before the Court of Cassation are being prepared.

Please also note that, under the terms of agreements made between shareholders (and specified in the IPO prospectus) 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. It is also 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.
On 31 December 2009, outstanding receivables for collection, related to all payments made by Hera spa for the position related to the former Seabo, up to 20 October 2009, amounted to Euro 1,644 thousand.

Regarding the former Meta Modena, merged into Hera with effect as from 31 December 2005, for which there was no indemnity mentioned above, pursuant to and in accordance with the Law Decree no. 10 of 15 February 2007, on 10 May 2007 the Inland Revenue Office of Modena served Hera Spa with notices and injunctions for the recovery of state aid relating to the tax periods 1997, 1998 and 1999. On 6 June 2007, Hera Spa files applications for the amendment ("*istanze di autotutela*") of such notices-injunctions. On 11 June 2007, the Inland Revenue office of Modena issued partial self-defence measures relating to the communicated notices/orders, requesting the Company, as a way of settling the issue, the payment of a minimal amount resulting from the failure to acknowledge withholding taxes paid.

Updates 2008 – Law Decree no. 185/2008

Art. 24 of the Law Decree 185 of 29 November 2008, converted with amendments into Law no. 2 of 28 January 2009, charged the Inland Revenue Office to recover aid equivalent to unpaid taxes and related interest "in order to totally implement" the afore-mentioned decision of the commission on 5 June 2002. As for this provisions, on 30 April 2009, the Emilia Romagna Regional Management - Large Taxpayers Office, sent three assessment notices on the position of the former Meta for the 1997, 1998 and 1999 tax periods, taking duly account of indications contained in the opinion expressed by the Presidency of the Council of Minister on 28 April 2009, shared with the Attorney General, with special reference to the exclusion from the taxable basis of the following:

- profits, which were reissued into the public circuit, as they were distributed, under the form of dividends, to public bodies shareholders.
- the portion of income regarding the electricity segment (net of profits distributed and related to the electricity segment itself).

On 8 May 2009, the amount of Euro 4,823 thousand was paid. On 7 July 2009, the company lodged appeals against the assessment notices at the Bologna provincial tax commission, asking for their cancellation. The hearing for the discussion on the ruling is scheduled on 17 May 2010.

With reference to Art. 24 of the above-mentioned Law Decree no. 185 of 29 November 2008, as regards the position related to the former Seabo, on 12 June 2009 Hera filed before the Inland Revenue Office - Bologna 3 Office - and the Emilia Romagna Regional Management - Large Taxpayers Office, a request for partial cancellation of the notices and injunctions received on 6 April 2007 regarding tax recovery for years 1997, 1998 and 1999 on the de-taxation of profits distributed to Public Bodies, according to instructions contained in the opinion issued on 28 April 2009 by the Presidency of the Council of Ministers. As of today, the hearing to discuss on the request of cancellation has not been scheduled yet.

For a more exhaustive information, it should be noted that on 11 June 2009 the First-Instance Court of the European Community issued rulings regarding the appeals filed by the Italian Government, together with some companies (A2A, Acea, Iride, etc.) against the decision of the European Commission 2003/193/EC. The decisions of the European Community court rejected, or declared not receivable, all appeals filed, thus confirming the legitimacy of the above-mentioned decision of the European Commission. Hera S.p.a. did not take part in the ruling in question for none of the positions mentioned above.

Updates 2009 – Law Decree no. 135/2009

Art. 19 of the Law Decree no. 135 of 25 September 2009, published in the O.G. no. 223 of 25 September 2009, added subsection 1-bis to Art. 24 of the Law Decree no. 185 of 29 November 2008, setting out the following:

- while calculating the tax basis, for the purposes to a recover of aid equivalent to unpaid taxes and related interest, capital gains resulting from extraordinary transactions are not relevant;
- for the purposes of a correct calculation of the taxable basis, assessments issued by the Inland Revenue office can be however supplemented or increased through new notices;
- the payment of amounts due based on the above-mentioned supplementary assessments should be made within the fiftieth day after the notification date of these assessments.

On 2 October 2009, the Emilia Romagna Regional Management – Large Taxpayers Office – sent two further assessment notices for the former company Meta Spa, regarding the 1998 and 1999 tax periods, as a “supplement" to notices already sent on 30 April 2009, in order to cancel two deductions made and previously accepted according to the opinion, shared by the Attorney General, expressed on 28 April 2009 by the Presidency of the Council of Ministers on profits, which were reissued into the public circuit due to the distribution to public bodies shareholders, and the further portion of profits made in the electricity segment. The amounts required total Euro 22,751 thousand, of which Euro 12,590 thousand related to the capital and Euro 10,161 thousand related to interest.

On the same date, the Emilia Romagna Regional Management - Large Taxpayers Office – sent four assessment notices for the former company Seabo Spa, regarding the 1997, 1998, 1999 tax periods – first half year and 1999 – second half year, in order to adopt the remarks already expressed in the report of 17 October 2005. These remarks could not be taken into account when the notices and injunctions were issued on 06 April 2007, as, at that time, Art. 1 of the Law Decree no. 10 of 15 February 2007 granted the Inland Revenue Office powers of “simple settlement” of the income returns submitted by the taxpayer.

The amounts required for the former company Seabo, amounted to Euro 759 thousand, of which Euro 386 thousand for the capital and Euro 373 thousand for interest.
The total amounts required, by effect of the proceeding provided for by Art. 19 of the Law Decree no. 135/2009, amounted therefore to Euro 23,510 thousand, which were paid on 20 October 2009.
On 27 November 2009, the Company filed all appeals to the Bologna provincial tax commission to cancel all assessment notices of 2 October 2009, regarding the positions of both former Seabo and former Meta.
These financial statements therefore reflect the recording to income statement of the total amount of Euro 27,573 thousand. Of this amount, Euro 12,254 thousand was charged to financial charges, while the remaining Euro 15,319 thousand was charged to "Other non-operating costs", as it referred to past taxes.

16. Tangible fixed assets

	31-Dec-2009	31-Dec-2008	Change
Land and buildings	208,208	250,605	(42,397)
Plants and machinery	1,678,084	1,420,967	257,117
Other movable assets	76,536	75,544	992
Work in progress and advance payments	306,519	374,984	(68,465)
Total	**2,269,347**	**2,122,099**	**147,248**

Tangible fixed assets are disclosed net of accumulated amortisation. Their composition and changes in the period are as follows:

Statement of changes in tangible assets					
Thousands of euro	Land and buildings	Plant and machinery	Other movable assets	Work in progress	Total tangible fixed assets
PURCHASE COST					
Balance as at 31.12.2008	**303,199**	**1,925,183**	**208,581**	**374,984**	**2,811,948**
Mergers	6,160	217,918	1,726	-	225,804
Spin-offs	188	32	25,443	103,716	129,379
Transfer of business units	-82,576	-207,203	-4,375	-225,036	-519,189
Increases	8,684	197,657	12,310	172,965	391,617
Disinvestments	-9,449	-4,498	-16,680	-7	-30,633
Reclassifications and other changes	31,034	96,075	450	-120,103	7,455
Balance as at 31.12.2009	**257,240**	**2,225,164**	**227,456**	**306,519**	**3,016,379**
ACCUMULATED DEPRECIATION					
Balance as at 31.12.2008	**-52,595**	**-504,216**	**-133,038**	**-**	**-689,848**
Mergers	-2,182	-81,557	-813	-	-84,552
Spin-offs	-21	-8	-18,045	-	-18,074
Transfer of business units	11,262	128,515	2,302	-	142,078
Depreciation for the year	-6,175	-91,807	-16,216	-	-114,198
Disinvestments	1,639	1,901	14,789	-	18,330
Reclassifications and other changes	-960	91	102	-	-766
Balance as at 31.12.2009	**-49,032**	**-547,080**	**-150,920**	**-**	**-747,032**
Net value	208,208	1,678,084	76,536	306,519	2,269,347
As at 31 December 2008	250,605	1,420,967	75,544	374,984	2,122,099
As at 31 December 2009	208,208	1,678,084	76,536	306,519	2,269,347

The items land and buildings amounting to Euro 52,252 and 155,956 thousand respectively as at 31 December 2009 mainly relate to company-owned properties.

As regards items Mergers, Spin-offs and Transfer of business units, reference is made to paragraph 3.03.01 “Explanatory and supplementary notes of Hera Spa”.

Item increases includes extraordinary maintenance works carried out at the corporate headquarters of Bologna, Forlì, Imola, Coriano, Cesena, Rimini and Cattolica.

Decreases are mainly due to the disposal of buildings in Bologna (via Tolmino and via Laura Bassi) and of the "Gasometer Area" inside the headquarters in Viale Berti Pichat.

Item generic plants and machinery, equal to Euro 21,428 thousand, and item specific plants, equal to Euro 1,656,656 thousand, mainly refer to distribution networks and water, gas and electricity plants located on territories managed by Hera. This item, in addition to the costs for improvement to third party assets, also includes expenses incurred for the road system outside the plants and the receivables due from the asset companies.
As regards items Mergers, Spin-offs and Transfer of business units, reference is made to paragraph 3.03.01 “Explanatory and supplementary notes of Hera Spa”.
Item increases includes assets that became operative during the year and restatement of values from item “concessions” of intangible fixed assets (following expiry terms which regarded assets related to the purification service and gas of some municipalities in the Bologna area. Reference is made to the notes on intangible assets).
The most significant decreases are due to the disposal of electricity meters in the Modena area, of some corporate assets which were damaged by fire and telecommunication equipment.

The item “Other moveable assets” includes the equipment, furniture, electronic machines, motor cars and motor vehicles. In particular, item equipment, equal to Euro 45,702 thousand, mainly includes waste disposal bins. As regards item “Spin-offs”, reference is made to paragraph 3.03.01 “Explanatory and supplementary notes of Hera Spa”. Furniture and electronic machines, equal to Euro 3,731 and 3,477 thousand, respectively, do not show changes compared to the previous year. Motor vehicles and motor cars amount to Euro 862 and 22,764 thousand, respectively.

Item “Work in progress and advance payments”, amounting to Euro 306,519, mainly relate to costs borne for the cogeneration plant in Imola and construction works of gas, water and electricity distribution networks, not yet completed as at 31 December 2009.
The decrease is mainly due to the “Canal Bianco” energy plant, in Ferrara, that underwent its final test at the beginning of 2009 and started to be depreciated in the same period and the transfer of all works in progress on the waste-to-energy plants in Forlì, Rimini and Modena to Herambiente.

17. Intangible fixed assets

	31-Dec-2009	31-Dec-2008	Change
Industrial patent rights and know-how	31,058	32,892	(1,834)
Concessions	88,618	102,944	(14,326)
Licences, trademarks and similar rights	5,762	6,964	(1,202)
Work in progress and advance payments	27,047	30,421	(3,374)
Other	1,838	3,736	(1,898)
Total	**154,323**	**176,957**	**(22,634)**

Intangible fixed assets are stated net of their accumulated amortisation and are broken down below with details of the changes during the year:

Statement of changes in intangible fixed assets					
Thousands of euro	Industrial patent rights	Licences, trademarks and similar rights	Other	Work in progress and advance payments	Total intangible fixed assets
PURCHASE COST					
Balance as at 31.12.2008	**106,056**	**236,026**	**11,856**	**30,421**	**384,359**
Mergers	-	-	-	-	-
Spin-offs	487	-	-	1,655	2,142
Transfer of business units	-511	-234	-1,038	-1,261	-3,045
Increases	1,228	705	93	17,114	19,140
Disinvestments	-692	-4	-4,170	-1,457	-6,323
Reclassifications and other changes	18,601	-6,046	116	-19,426	-6,754
Balance as at 31.12.2009	**125,167**	**230,447**	**6,857**	**27,047**	**389,519**
ACCUMULATED AMORTISATION					
Balance as at 31.12.2008	**-73,164**	**-126,118**	**-8,120**	**-**	**-207,402**
Mergers	-	-	-	-	-
Spin-offs	-158	-	-	-	-158
Transfer of business units	103	148	420	-	671
Amortisation for the year	-21,583	-13,653	-1,371	-	-36,607
Disinvestments	692	4	4,136	-	4,833
Reclassifications and other changes	-	3,551	-84	-	3,467
Balance as at 31.12.2009	**-94,109**	**-136,067**	**-5,019**	**-**	**-235,196**
Net value	31,058	94,380	1,838	27,047	154,323
As at 31 December 2008	32,892	109,908	3,736	30,421	176,957
As at 31 December 2009	31,058	94,380	1,838	27,047	154,323

Item “Industrial patents rights and know-how”, totalling Euro 31,058 thousand as at 31 December 2009, mainly relates to costs incurred for the purchase and implementation of IT systems SAP R/3 ECC6 and related application systems. These costs are amortised over five years.

Item “Concessions”, amounting to Euro 88,618 thousand, mainly includes the value of the concessions held by Hera Spa in relation to the gas, water and purification plants. The decrease in this item is due to the changeover from concession to ownership of assets related to the purification services in the Municipalities of San Pietro in Casale, Castel di Casio, Malalbergo and Crespellano, as well as assets related to the gas service in the Municipalities of Baricella, Castenaso, Galliera, Granarolo, Malalbergo, Pianoro e Monzuno, as provided under the related contracts on reaching the expiry dates of said concession;

Licences, trademarks and similar rights amount to Euro 5,762 thousand as at 31 December 2009.

Item “Other intangible fixes assets”, equal to Euro 1,838 thousand, mainly relates to the expenses incurred for the mapping, Geographical Information System (GIS), other sundry long-term charges, use of networks and infrastructures for the passage and laying of optical fibre telecommunication networks.

“Work in progress and advance payments”, amounting to Euro 27,047 thousand at 31 December 2009, mainly comprises costs sustained for uncompleted IT projects. The decrease, compared to the previous year, is related to the implementation of some projects, such as the upgrade of the SAP R/3 ECC6 platform, as it can be inferred from the increase in item “Industrial patents and know-how”.

18. Goodwill

	31-Dec-2009	31-Dec-2008	Change
Goodwill	187,084	299,686	(112,602)
Total	**187,084**	**299,686**	**(112,602)**

Item “Goodwill" amounts to Euro 187,084 thousand as at 31 December 2009. The significant decrease compared to 31 December 2008 is due to the portion of goodwill conferred to Herambiente, in charge of the “waste management area” of Hera Spa.

The item goodwill as at 31 December 2009 is analysed as follows:

- residual goodwill from the 2002 integration resulting in the creation of Hera Spa of Euro 51,876 thousand. This value is net of the decrease related to the transfer to Herambiente;
- goodwill relating to the integration of Agea Spa in 2004, Euro 21,900 thousand. Said goodwill represents the additional value of the purchase cost compared to the fair values of the assets and liabilities recorded. In particular, with regard to the fair value of Hera Spa shares issued following the increase in capital for the merger by incorporation of Agea Spa, in accordance with IFRS 3 the share value was calculated as at the effective date control was taken of Agea Spa (1 January 2004); this value is net of the decrease related to the transfer to Herambiente;
- goodwill relating to the integration of Meta Spa, Euro 44,433 thousand. This goodwill, entered in assets and initially measured at cost, represents the additional value of the purchase cost compared to the fair value of the assets and liabilities recognised for the Group. Specifically, with regard to the fair value of Hera Spa shares issued following the increase in capital from the merger by incorporation of Meta Spa, this value was calculated as at the end of 2005, accepted as the date at which effective control was taken on Meta Spa; this value is net of the decrease related to the transfer to Herambiente;
- goodwill relating to the merger of Geat Distribuzione Gas Spa. This goodwill of Euro 11,670 thousand represents the purchase cost surplus with respect to current value of assets and liabilities recorded as at 1 January 2006 (the date at which effective control was taken by Hera Spa);
- goodwill relating to the merger of Sat Spa. This goodwill, equal to Euro 54,085 thousand, represents the additional value of the purchase cost compared to the fair value of the assets and liabilities recognised for the Group. Specifically, with regard to the fair value of the Hera Spa shares issued following the increase in capital from the merger of by incorporation Sat Spa, this value was determined referring to 1 January 2008, date at which the transaction was actually concluded;

  goodwill relating to the merger of Gastecnica Galliera Spa. This goodwill, equal to Euro 2,140 thousand, represents the additional value of the purchase cost compared to the fair value of the assets and liabilities recognised for the Group as at 1 January 2009.

  goodwill, regarding other minor transactions, amounts to Euro 980 thousand.

As required by the reference accounting standards (IAS 36), goodwill – which is no longer amortised – undergoes impairment testing.

The following table shows the allocation of this item to the cash generating unit or group of units in accordance with the maximum aggregation limits that may not exceed the business segment identified, as per IFRS 8.

(mln €)	
Gas	87.6
Electricity	36.2
Integrated water cycle	35.3
Waste management	22.7
Other services	5.3
Total goodwill	**187.1**

The impairment therefore involved gas, electricity, integrated water cycle, waste management and other services business areas. The recoverable value of the cash generating units, to which the separate goodwill was attributed, was reviewed by determining the value in use, meant as the current value of the discounted cash flows (duly discounted according to the discounted cash flow method) taken from the business plan prepared for the 2009-2013 period, approved by the Board of Directors of the parent company Hera Spa. The current value of an irredeemable debenture, calculated based on last year flows and taking account, for the water cycle only, the gradual achievement of the full capital payment, as provided for by the current regulations. In the developed hypothesis, the non-renewal of concessions was taken into consideration, in an estimated percentage of 20%. At the same time, a similar percentage was considered to determine the flow, equal to the net accounting value of assets, which will be redeemed.

While drawing up the Business Plan, which consolidates the Group perspective activities, assumptions consistent with those used in previous plans were used. These assumptions were defined based on final figures, projections internally processed and compared with external sources.

The development of revenues was processed based on the evolution of tariffs for the businesses governed by business unit regulations and/or agreements with the competent Authorities. In particular, revenues from the gas distribution market are projected based on evidence arising from Resolution no. 159/08 and, as for electricity distribution, based on Resolution no. 348/07 of the Italian Authority for Electricity and Natural Gas. Revenues on the sale of gas and electricity on the non-eligible market were projected to 2013, based on Resolutions no. 64/09 and 156/07, respectively, of the Italian Authority for Electricity and Natural Gas. As for the water cycle, revenues were projected based on both the immobility of volumes distributed and the fees referring to agreements signed, or being signed when the Plan was drawn up, with the single local ATO. As for urban hygiene, the assumption of full tariff coverage was formulated over the term of the plan on all local areas supplied, pursuant to law.

Changes in the prices of gas and electricity sold and purchased on the free market were processed based on business opinions expressed by internal bodies in charge of analysing these factors, and in compliance with the energy scenario set forth in the business plan. The latter was drawn up by a panel of institutional observers according to the best forecasts.

The development of plants for the disposal and recover activities in the waste management cycle is consistent with estimates made in the plans in the provinces where the Hera Group operates. The scheduling for the realisation of investments and the following start-up of the new plants is the result of the best estimate of technical structures, in compliance with each planning process.

Cost evolution was consistent with the projected inflation considered in the economic and financial Planning Document and, as regards staff, with indications contained in the various work contracts. Effectiveness and synergies were planned in compliance with operations that the Group has carried out over the last few years.

The investment plan is consistent with the maintenance requirements of plant efficiency. This plan is supplemented by investment and development expectations in both initiatives which grant full economic benefit at full production within the term of the Plan, and development initiatives which will grant an economic return after the term of the Plan. The single “relevant” investments were specifically evaluated as for the economic return and strategic importance in the pertaining industrial sector.

The definition process of the Plan underwent, as in past years, a wide involvement process of each single company and a deep sharing with management at various organization levels, over a period of more than 5 months.

According to the aforementioned remarks, the basic assumptions that underlined the development of the impairment test, were formulated by the management, bearing in mind the remaining lifetimes of the reference concessions, on the basis of medium/long term growth rates differentiated by single asset, which take into account the expected growth in the respective generating unit sectors (2% on average).

The rate used to discount back the flows is 6.58% after taxes.

As the test results were positive, it was unnecessary to adjust the recorded values provided above. It is worth noting that the outcome of the above mentioned procedures has been specially approved by the Board of Directors of the parent company, as recommended by provisions set forth by Consob, Bank of Italy and ISVAP.

19. Equity investments

	31-Dec-2009	31-Dec-2008	Change
Equity investments in subsidiaries	523,470	366,512	156,958
Equity investments in associated companies	72,272	58,290	13,982
Equity investments in other companies	22,910	22,795	115
Total	**618,652**	**447,597**	**171,055**

Equity investments in subsidiaries

Equity investments in subsidiaries	%	closing balance 31-Dec-08	Mergers	Spin-offs	Transfer of business units	Changes for the year				closing balance 31-Dec-09
						incr.	sale	reval. (w.-d.)	other changes	
Acantho Spa	62%	-				2			11,024	11,027
Agea Reti Srl	100%	-							22,391	22,391
Akron Spa	58%	2,513					(2,513)			-
A.S.A Spa	51%	4,184			(4,184)					-
Ecosfera Spa	100%	1,813					(1,813)			-
Famula On Line Spa	100%	6,055				5,166				11,221
Frullo Energia Ambiente Srl	51%	8,817			(8,817)					-
Gal.A. Spa	60%	207			(207)					-
Gastecnica Galliera Srl	100%	2,539	(2,559)			20				-
Herambiente Srl	100%	52,797				248,746				301,543
Hera Bologna Srl	100%	1,250		(1,250)						-
Hera Comm Srl	100%	88,592		386						88,978
Hera Ferrara Srl	100%	810		(810)						-
Hera Forlì-Cesena Srl	100%	650		(650)						-
Hera Energie Rinnovabili Spa	100%	705			1,712					2,417
Hera Imola Faenza Srl	100%	1,370		(1,370)						-
Hera Luce Srl	90%	8,864								8,864
Hera Modena Srl	100%	1,150		(1,150)						-
Hera Ravenna Srl	100%	850		(850)						-
Hera Rete Modena Srl	100%	106,344	(106,344)							-
Hera Rimini Srl	100%	1,050		(1,050)						-
Herasocrem Spa	51%	1,131								1,131
Hera Servizi Funerari Srl	100%	10								10
Hera Trading Srl	100%	2,711				20,000				22,711
Ingenia Srl in liquidazione	74%	63								63
Marche Multiservizi Spa	41%	34,538								34,538
Medea Spa	100%	11,988								11,988
Nuova Geovis Spa	51%	4,856			(4,856)					-
Pri.Ge.A.S. Srl	100%	-	(11)			11				-
Recupera Srl	100%	12,592							(12,592)	-
Romagna Compost Srl	60%	2,136							(2,136)	-
Satcom Spa	63%	-				2			2,380	2,382
Sotris Spa	5%	2,362			(2,362)	640				640
Uniflotte Srl	97%	3,567								3,567
Total equity investments in subsidiaries		**366,512**	**(108,914)**	**(6,744)**	**(18,713)**	**274,588**	**(4,326)**	**-**	**21,067**	**523,470**

The most important movements that occurred during the year are listed below:

Acantho Spa.

On 14 October 2009, Hera Spa acquired 2,602,648 shares of Acantho Spa from Infracom Italia Spa bringing its total to 10,848,706 shares, corresponding to 62% of the share capital. The equity investment was therefore restated from associated company to subsidiary.

Agea Reti Srl

On 1 December 2009, following the share capital increase of Hera Spa, from Euro 1,032,737,702 to Euro 1,115,013,754, through issue of new ordinary shares in favour of the Municipality of Ferrara and Holding Ferrara Servizi Srl, and after the transfer of the equity investment in Agea Reti Srl, Hera Spa increased its equity investment from 39.72% to 100%. This equity investment was therefore restated from associated company to subsidiary.

Akron Spa

As from 10 July 2009, Hera Spa transferred the entire equity investment held in Akron Spa, equal to 57.50% of its share capital, to its subsidiary Herambiente Srl.

A.S.A. Spa.

Reference is made to paragraph 3.03.01 “Explanatory and supplementary notes of Hera Spa” on the decrease of the equity investment held in Asa Spa, equal to 51% of the share capital.

Ecosfera Spa

On 3 June 2009, Hera Spa transferred to its subsidiary Akron Spa 100% of the share capital of Ecosfera Spa.

Famula on-Line Spa

On 15 January 2009, Hera Spa acquired from Engineering Spa 40% of the share capital of Famula on-line Spa. By means of this transaction, Hera Spa became the Sole Shareholder of Famula on-line Spa

Frullo Energia Ambiente Srl

Reference is made to paragraph 3.03.01 “Explanatory and supplementary notes of Hera Spa” on the decrease of the equity investment held in Frullo Energia Ambiente Srl, equal to 51% of the share capital.

Gal.A. Spa

Reference is made to paragraph 3.03.01 “Explanatory and supplementary notes of Hera Spa” on the decrease of the equity investment held in Gal.A. Spa, equal to 60% of the share capital.

Gastecnica Galliera Srl

Reference is made to paragraph 3.03.01 “Explanatory and supplementary notes of Hera Spa” on the decrease of the equity investment held in Gastecnica Galliera Srl .

Herambiente Srl

Reference is made to paragraph 3.03.01 “Explanatory and supplementary notes of Hera Spa” on the decrease of the equity investment held in Herambiente Srl.

Hera Bologna Srl., Hera Ferrara Srl., Hera Forlì-Cesena Srl., Hera Imola-Faenza Srl., Hera Modena Srl., Hera Ravenna Srl., Hera Rimini Srl., Herambiente Srl.

Reference is made to paragraph 3.03.01 "Explanatory and supplementary notes of Hera Spa" on the decrease of the equity investment held in territorial operating companies.

Hera Comm Srl

The increase is due to the spin-off transaction shown in the paragraph in which corporate transactions are described.

Hera Energie Rinnovabili Spa

With effective date on 1 January 2009, Hera Spa transferred two business units related to the production of electricity from renewable sources into Hera Energie Rinnovabili Spa. Resulting from this transaction, the share capital increased from Euro 120 thousand to Euro 1,832 thousand.

Hera Rete Modena Srl

Reference is made to paragraph 3.03.01 "Explanatory and supplementary notes of Hera Spa" on the decrease of the equity investment held in Hera Rete Modena Srl.

Hera Trading Srl

On 7 October 2009, Hera Trading Srl increased its share capital from Euro 2,600 thousand to Euro 22,600 thousand through the payment in cash by the sole partner Hera Spa.

Ingenia Srl in liquidation.

The shareholders' meeting, held on 18 December 2009, resolved to voluntarily liquidate the company.

Marche Multiservizi Spa

Effective 1 July 2009, the authorised share capital of Marche Multiservizi Spa was increased from Euro 13,055,799 to euro 13,450,012, by a contribution in kind from the new member, Comunità Montana Alto e Medio Metauro, consisting of its business branch handling landfill and composting plants. The equity investment held by Hera Spa dropped from 41.87% to 40.64%.

Nuova Geovis Spa

Reference is made to paragraph 3.03.01 "Explanatory and supplementary notes of Hera Spa" on the decrease of the equity investment held in Nuova Geovis Spa, equal to 51% of the share capital.

Pri.Ge.As. Srl

Reference is made to paragraph 3.03.01 "Explanatory and supplementary notes of Hera Spa" on the decrease of the equity investment held in Pri.Ge.A.S. Srl.

Recupera Srl

Effective as from 1 July 2009, the merger by incorporation of Recupera Srl in Herambiente Srl, former Ecologia Ambiente Srl was finalized.

Romagna Compost Srl

Reference is made to paragraph 3.03.01 "Explanatory and supplementary notes of Hera Spa" on the decrease of the equity investment held in Romagna Compost Srl, equal to 60% of the share capital.

Satcom Spa

On 14 October 2009, Hera Spa acquired 3,000 shares of Satcom Spa from Infracom Italia Spa, a telecommunications company, bringing its total to 12,500 shares, corresponding to 62.5% of the share capital. The equity investment was therefore restated from associated company to subsidiary.

Sotris Spa

Reference is made to paragraph 3.03.01 “Explanatory and supplementary notes of Hera Spa” on the decrease of the equity investment held in Sotris Spa, equal to 70% of the share capital. Moreover, on 23 December 2009, Hera Spa acquired 225,000 shares held by Sotris Spa, corresponding to 5% of its share capital, from Petrokan Spa.

Equity investments in associated companies

Equity investments in associated companies	%	closing balance 31-Dec-08	Mergers	Spin-offs	Transfer of business units	Changes for the year incr.	sale	reval. (w-d.)	other changes	closing balance 31-Dec-09
Acantho Spa	47%	7,961				3,063			(11,024)	-
Agea Reti Srl	40%	7,598				14,793			(22,391)	-
Agess Scarl	17%	28					(28)			-
Aimag Spa	25%	-				35,030				35,030
Consorzio Frullo	50%	2								2
Feronia Srl	40%	972			(972)					-
Italcic Scarl in liquidazione	33%	40								40
Modena Network Spa	32%	960					(540)		(420)	-
Oikothen Scarl	46%	383								383
Pri.Ge.As Srl	49%	8				83			(90)	-
Refri Srl	20%	2,506			(2,506)					-
Satcom Spa	48%	1,544				836			(2,380)	-
Sei Spa	20%	702								702
Service Imola Srl	40%	4								4
Set Spa	39%	31,163				585				31,748
So.Sel Spa	26%	91					(91)			-
Tamarete Energia Srl	32%	4,329				34				4,363
Total equity investments in associated companies		**58,290**	**-**	**-**	**(3,478)**	**54,425**	**(659)**	**-**	**(36,306)**	**72,272**

The most important movements that occurred during the year are listed below:

Acantho Spa.
Reference is made to equity investments in subsidiaries.

Agea Reti Srl
Reference is made to equity investments in subsidiaries.

Agess Scarl
On 1 December 2009, the equity investment was transferred to third parties.

Aimag Spa
On 10 November 2009, Hera Spa purchased 16,894,420 ordinary shares of the company Aimag Spa, corresponding to 25% of the share capital of the same company, represented by ordinary shares. These shares were held by the Municipalities shareholders of Aimag Spa, multi utility operating in the territories of Modena and Mantua.

Feronia Srl
Reference is made to paragraph 3.03.01 “Explanatory and supplementary notes of Hera Spa” on the decrease of the equity investment held in Feronia Srl, equal to 40% of the share capital.

Italcic Srl in liquidation.
The shareholders’ meeting, held on 20 October 2009, resolved to voluntarily liquidate the company.

Modena Network Spa
On 23 December 2009 Hera Spa transferred 540,000 shares to Con.Ami. The ownership percentage decreased from 32% to 14%. Therefore, the equity investment was restated from associated company to other companies.

Pri.Ge.As. Srl
Reference is made to equity investments in subsidiaries.

Refri Srl
Reference is made to paragraph 3.03.01 “Explanatory and supplementary notes of Hera Spa” on the decrease of the equity investment held in Refri Srl, equal to 20% of the share capital.

Satcom Spa
Reference is made to equity investments in subsidiaries.

Set Spa
In November 2009, Hera Spa made a payment in capital for a future increase in capital, totalling Euro 585 thousand.

So.Sel Spa
On 15 September 2009 Hera Spa transferred the entire shareholding to Hera Comm Srl.

Equity investments in other companies

Equity investments in other companies	%	closing balance 31-Dec-08	Mergers	Spin-offs	Transfer of business units	Changes for the year				closing balance 31-Dec-09
						incr.	sale	reval. (w-d.)	other changes	
Acef Srl	10%	1								1
Ambiente Mare Spa	15%	300					(300)			-
Bonifica e Ambiente in liquidazione (Unica)	0%	2								2
Calenia Energia Spa	15%	9,073								9,073
Centuria Srl	2%	5					(5)			-
Consorzio Italiano Compostatori	3%	10								10
Consenergy 2000 - Consorzio per l'energia	1%	0							()	-
Consorzio Ferrara Ricerche	0%	2								2
Consorzio Polieco	0%	1								1
Democenter- Sipe Scarl	1%	41								41
Energia Italiana Spa	11%	13,233								13,233
Eticredito Banca Adriatica Spa	0%	50								50
Fondazione Flaminia Ravenna	4%	3								3
Modena Formazione Srl	7%	54								54
Modena Network Spa	14%	-							420	420
Prog.Este. Spa	0%	5								5
Torricelli Srl	2%	14								14
Valdisieve Scarl	0%	1								1
Total equity investments in other companies		**22,795**	**-**	**-**	**-**	**-**	**-305**	**-**	**420**	**22,910**

The most important movements that occurred during the year are listed below:

Ambiente Mare Spa.

On 23 December 2009, Hera Spa transferred its entire equity investment to the other partner Petrokan, thus obtaining a 5% equity investment in Sotris Spa.

Centuria Srl

On 06 November 2009, Hera Spa transferred the entire equity investment to Hera Energie Rinnovabili Spa.

Consenergy 2000 – Consorzio per l'energia

On 29 May 2009, the Consortium gave back the portion of the consortium fund to Hera Spa.

Modena Network Spa

Reference is made to equity investments in associated companies.

As required by the reference accounting standards, the value of equity investments in subsidiaries and associated companies undergoes impairment tests, though the determination of value in use, meant as the current value of the discounted cash flows (discounted cash flow method) taken from the development plans prepared by the management of each single company. Based on this, the values were then calculated for the following years, bearing in mind the specific businesses, on the basis of medium/long growth rates according to the different assets, (1%-2% in average). The rate used to discount back the flows is 6.58% after taxes.

The test results are positive, so it was unnecessary to adjust the recorded values of equity investments provided above.

20. Financial assets

	31-Dec-09	31-Dec-08	Change
Receivables for loans to subsidiaries	2,859	7,120	(4,261)
Receivables for loans to associated companies	9,148	8,466	682
Receivables for loans to other companies	1,385	109	1,276
of which for mortgages to collect	95	109	(14)
of which for other	960	-	960
Fixed-income securities	1	1	-
Total	**13,393**	**15,696**	**(2,303)**

The most important movements that occurred during the year are listed below:

	closing balance 31-Dec-08	Mergers	Spin-offs	Transfer of business units	Changes for the year				closing balance 31-Dec-09
					increases	(reimb.)	reval.(w-d.)	other changes	
Receivables for loans to subsidiaries (after)									
Hera Energie Rinnovabili Spa w/interest-bearing loan					300				300
Herambiente Srl ex Recupera srl-mortgage	2,836					(277)			2,559
Fea srl w/non-interest bearing loan	4,284					(4,284)			-
	7,120	**-**	**-**	**-**	**300**	**(4,561)**	**-**	**-**	**2,859**
Receivables for loans to associated companies (after)									
Financial receivables to associates in scope of cons (Sei)	1,847				682				2,529
Set w/interest-bearing loan	4,815								4,815
Oikothen w/non-interest bearing loan	1,804								1,804
	8,466	**-**	**-**	**-**	**682**	**-**	**-**	**-**	**9,148**
Receivables for loans to other companies (after)									
Modena Network Spa w/interest-bearing loan					960				960
Other financial receivables after this year					330				330
Receivables for mortgages	109					(14)			95
	109	**-**	**-**	**-**	**1,290**	**(14)**	**-**		**1,385**
Fixed-income securities									
Fixed-income securities	1								1
	1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**
Total	**15,696**	**-**	**-**	**-**	**2,272**	**(4,575)**	**-**	**-**	**13,393**

The items record non-interest-bearing loans granted to subsidiary and associated companies regulated at arm's length rates.

21. Deferred tax assets

	31-Dec-09	31-Dec-08	Change
Prepaid taxes, IRES	30,810	27,504	3,306
Prepaid taxes, IRAP	2,386	2,483	(97)
Prepaid taxes, IAS/IFRS	8,234	8,651	(417)
Total	**41,430**	**38,638**	**2,792**

As at 31 December 2009, they amounted to Euro 41,430 thousand (Euro 38,638 thousand as at 31 December 2008). Prepaid taxes are generated from the temporary differences between balance sheet profit and taxable income, mainly on the taxed provision for bad debts, write-down of investments, and taxed provisions for risks and charges.

Prepaid taxes generated by the application of IAS/IFRS have been recorded separately. Of note we report:

	31-Dec-09	31-Dec-08	Change
Ias 39 Derivatives	5,970	7,157	(1,187)
Ias 38 Intangible Assets	124	562	(438)
Ias 19 Employee leaving indemnity and other employee benefits	878	932	(54)
Ifrs 3 Business combinations	1,262	-	1,262
Total	**8,234**	**8,651**	**(417)**

The increase in prepaid tax relating to the IFRS 3 transaction is due to the transfer of the respective business units by Area Asset Spa and Con.Ami, leading to the posting of higher and lower values for assets which are not recognised for tax purposes.

22 Financial instruments - derivatives

Non current assets/liabilities € / 000	Hedged underlying	No. of active contracts	Notional	Fair Value Assets	Fair Value Liabilities
Interest rate derivatives					
- *Interest rate Swap*	Loans	4	48.8 m	419	
- *Interest rate Swap*	Loans	8	448.8 m		19,956
Exchenge rate derivatives					
- *Cross Currency Swap*	Loans	1	200 bn JPY		8,438
Total				**419**	**28,394**

Derivative financial instruments classified under non-current assets amount to Euro 419 thousand, (Euro 241 thousand as at 31 December 2008), and all refer to interest rate derivatives. Derivative financial instruments classified under non-current liabilities amount to Euro 28,394 thousand, (Euro 21,023 thousand as at 31 December 2008); Euro 19,956 thousand refer to interest rate derivatives, and Euro 8,438 thousand refer to exchange rate derivatives.
The reduction in fair value, compared to the previous year, was due to unfavourable fluctuations in interest rates (within the context of hedges implemented) and to the subscription of new hedging derivatives which showed a negative fair value as at 31 December 2009, as compared to their subscription date.
It should be also noted that the transfer extraordinary transaction of the "waste management area" involved the transfer of derivative contracts to the subsidiary Herambiente Srl on interest rates having, at the date of transfer, a negative fair value of Euro 7,206 thousand.

The fair value used as the basis for the interest rate swap valuations derives from market prices. If there are no market prices, the discounting back of future cash flows valuation method is used, which takes the interest rate curve as a reference. All derivative contracts stipulated by the company are with leading institutional counterparties.

Interest rate derivative instruments held as at 31 December 2009, subscribed in order to hedge loans, can be classed into the following two categories (figures in thousands of €):

Hedging derivatives on interest rates / exchange rates	Underlying	Notional	Fair Value Assets	Fair Value Liabilities	Income	Charges
- *Cash Flow Hedge*	Loans	400.0 m	0	19,537	656	12,770
- *Fair Value Hedge*	Loans	149.8 m	0	8,438	8,657	9,688
- *Non Hedge Accounting*	Loans	97.6 m	419	419	775	785
Total			**419**	**28,394**	**10,088**	**23,243**

Interest rate derivatives identified as cash flow hedges show a residual notional amount of Euro 400 million against variable rate mortgage loans of the same amount.
Income and charges in hedge accounting associated with interest rate derivatives predominantly refer to cash flow effects, or to the recording of shares of future flows, which shall have a financial impact in future years. As already illustrated previously with regard to the reduction in fair value, the increase in net financial charges compared with the same period in the previous year (see Note 13 Financial income and charges) is predominantly due to the unfavourable trend (in the context of hedges entered into) in interest rates.

The degree of ineffectiveness of this class of interest rate derivative led to the recording of net charges totalling Euro 386 thousand in the income statement. All the hedging relationships between the aforementioned derivatives contracts and the related liabilities sustained are qualified as "Cash Flow Hedges" and involved the recording in shareholders' equity, of a specific negative reserve, amounting to Euro 13 million, of the related tax effect. The transfer of the "waste management area", which included hedging derivatives, involved the transfer of a portion of the cash flow hedge reserve, equal to Euro 5.4 million, net of the tax effect.

Interest rate derivatives identified as fair value hedges show a residual notional amount of Yen 20 billion against a loan in foreign currency of the same amount. In particular, subscription of a derivative hedging said loan led to the recording of financial charges for a total of Euro 9,688 thousand. In parallel, however, a fair value assessment of the underlying loan was performed, recording financial income for a total of Euro 8,657 thousand.

The remaining interest rate derivatives not in the hedge accounting have a notional residual value of Euro 97.6 million; most of these contracts are the result of mirroring transactions carried out in previous years as part of a restructuring of the derivatives portfolio.

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

Interest rate risk and currency risk

The Group's financial requirements are met also by turning to outside resources in the form of debt. The cost of the various forms of borrowing can be affected by market interest rates fluctuation, with a consequent impact on the amount of the net financial charges. In the case of loans denominated in foreign currency, the cost may also be affected by exchange rate fluctuations with an additional effect on net financial expense.

To mitigate interest rate volatility risk, the Group has stipulated derivative instruments on rates against part of its financial liabilities. At the same time, to mitigate exchange rate volatility risk, the Group has stipulated foreign exchange derivatives to fully hedge loans in foreign currency.

Sensitivity Analysis

In conjecturing an instant shift of -50-basis points in the interest rate curve with respect to the interest rate effectively applied for the assessments as at 31 December 2009, the potential loss in fair value of the derivative financial instruments on existing interest rates would amount to roughly Euro 3.1 million. Likewise, conjecturing an instant shift of +50-basis points in the interest rate curve, there would be a potential increase in fair value of about Euro 3 million.

These fair value changes would have no effect on the income statement if it were not for the potential ineffective portion of the hedge, as they refer to financial derivative instruments classified under hedge accounting. As for foreign exchange derivatives, these fair value changes would have no effect on the income statement, except for that limited to the ineffective portion of the hedge, since they are offset by a change in the fair value of the underlying liabilities being hedged, in the opposite sign.

The effects on the income statement of the fair value changes of the instruments not in hedge accounting, as they almost entirely undergo mirroring transactions, would be insignificant.

23. Inventories

	31-Dec-09	31-Dec-08	Change
Raw materials and stock	14,605	4,285	10,320
Advance payments	1	5	(4)
Total	**14,606**	**4,290**	**10,316**

Inventories are stated net of a reserve for slow-moving inventory, equal to Euro 561 thousand.

Inventories chiefly consist of raw materials and stock and, in particular, spare parts and equipment used for the maintenance and running of operating plant. They are valued on the basis of the average cost.

The increase is mainly due to the contribution generated by the spin-off of territorial operating companies.

The table below provides a breakdown of the movements in the reserve for slow-moving inventory:

	31-Dec-08	Spin-offs	Allocations	Uses	Other changes	31-Dec-09
	-	561	-	-	-	561
Total reserve for slow-mov. inventory	**-**	**561**	**-**	**-**	**-**	**561**

24. Trade receivables

The table below provides a breakdown of trade receivables.

	31-Dec-09	31-Dec-08	Change
Receivables from customers	**379,973**	**375,604**	4,369
of which invoices issued	199,403	211,368	(11,965)
of which invoices to be issued	180,570	164,237	16,333
Receivables from related parties	**330,797**	**809,775**	**(478,978)**
Receivables from subsidiaries	**305,809**	**753,627**	**(447,817)**
of which invoices issued	163,549	240,925	(77,377)
of which invoices to be issued	70,134	176,229	(106,095)
of which other receivables	72,127	66,549	5,578
of which receivables for centralised treasury service	-	269,924	(269,924)
From associated companies	**1,966**	**26,497**	**(24,531)**
of which invoices issued	1,966	24,986	(23,020)
of which invoices to be issued	-	1,511	(1,511)
From related companies with significant influence	**11,960**	**13,509**	**(1,549)**
of which invoices issued	10,109	10,919	(810)
of which invoices to be issued	1,851	2,591	(740)
From other related parties	**11,062**	**16,142**	**(5,080)**
of which invoices issued	8,818	11,672	(2,854)
of which invoices to be issued	2,244	2,637	(393)
of which other receivables	-	1,833	(1,833)
Receivables from others	**24**	**31**	**(7)**
of which invoices issued	23	30	(7)
of which invoices to be issued	1	1	-
Total	**710,794**	**1,185,410**	**(474,616)**

Trade receivables as at 31 December 2009 total Euro 379,973 thousand (Euro 375,604 thousand as at 31 December 2008) and include estimated consumption, for the portion pertaining to the period, relating to bills and invoices to be issued after 31 December 2009.
Receivables are stated net of a bad debt provision of Euro 30,941 thousand, deemed fair and prudent in relation to the estimated realisable value of said receivables.

The changes occurring in the fund during the year are provided below:

Bad debt provision	Balance 31-Dec-08	Mergers	Spin-offs	Transfer of business units	Allocations	Uses	Other changes	Balance 31-Dec-09
Bad debt provision	26,237	4	-	-	9,916	(5,216)	-	30,941
Total	**26,237**	**4**	**-**	**-**	**9,916**	**(5,216)**	**-**	**30,941**

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

The table below gives a detailed view of the breakdown of receivables due from subsidiary companies:
The analysis highlights that, on 31 December 2009, there are no credit positions with respect to territorial operating companies following the well-known spin-off.

Receivables from subsidiaries	31-Dec-09	31-Dec-08	Change
Acantho Spa	24,439	-	24,439
Agea Reti Srl	4	-	4
A.S.A. Spa	16	63	(47)
Akron Spa	806	1,276	(470)
Aspes Gas Srl	2,154	-	2,154
Calorpiù Italia Scarl in liquidation	26	-	26
Consorzio Energia Servizi Bologna in liquidation	17	-	17
Eris Scrl Energia Risorse Sviluppo	1,516	-	1,516
Ecosfera Spa (merged in Akron Spa)	-	20	(20)
Famula On-line Spa	625	1,290	(665)
Frullo Energia Ambiente Srl	4,721	5,850	(1,129)
Gal.A. Spa	12	38	(26)
Gastecnica Galliera Srl	-	1	(1)
Herambiente Srl (former Ecologia Ambiente Srl)	78,683	79,457	(774)
Hera Imola-Faenza Srl	-	31,622	(31,622)
Hera Bologna Srl	-	125,030	(125,030)
Hera Comm Marche Srl	1	-	1
Hera Comm Mediterranea Srl	2,373	-	2,373
Hera Comm Srl	115,119	247,112	(131,993)
Hera Energie Rinnovabili Spa	(492)	-	(492)
Hera Energia Bologna Srl	37	-	37
Hera Ferrara Srl	-	14,468	(14,468)
Hera Forlì-Cesena Srl	-	36,477	(36,477)
Hera Luce Srl	2,708	913	1,795
Hera Modena Srl	-	71,248	(71,248)
Hera Ravenna Srl	-	29,998	(29,998)
Hera Rete Modena Srl	-	453	(453)
Hera Rimini Srl	-	18,096	(18,096)
Herasocrem Spa	12	14	(2)
Hera Servizi Funerari Srl	637	118	519
Hera Trading Srl	66,062	89,698	(23,636)
Ingenia Srl in liquidation	4	4	-
Marche Multiservizi Spa	1,071	292	779
Medea Spa	1,578	645	933
Nuova Geovis Spa	(4)	62	(66)
Recupera Srl (merged in Herambiente Spa)	-	3,931	(3,931)
Romagna Compost Srl	7	112	(105)
Satcom Spa	2,180	-	2,180
Sinergia Srl	12	-	12
Sotris Spa	65	143	(78)
Uniflotte Srl	1,420	(4,803)	6,223
Total	**305,809**	**753,627**	**(447,817)**

Receivables to subsidiaries, equal to Euro 305,809 thousand (Euro 753,627 thousand as at 31 December 2008) refer to trade receivables.
Trade receivables, which are all collectible within the next year, result from services that Hera Spa charges back to subsidiaries based on specific service contracts.
The considerable decrease, compared to the previous year, relates, as already said, to the spin-off of territorial operating companies, as well as to a different classification, compared to 2008, of receivables from some Group companies, due to centralised treasury. In 2009, these receivables are accounted for in "Financial assets".

The table below gives a detailed view of the breakdown of receivables due from associated companies:

Receivables from associated companies	31-dic-2009	31-dic-2008	Change
Acantho Spa	-	22,414	(22,414)
Agea Reti Srl	-	8	(8)
Agess Scarl	-	37	(37)
Aimag Spa	5	-	5
Consorzio Frullo	3	-	3
Feronia Srl	-	65	(65)
Italcic Scarl in liquidation	7	-	7
Modena Network Spa	-	344	(344)
Oikothen Scarl	6	6	-
Pri.Ge.A.S. Srl	-	793	(793)
Refri Srl	-	1	(1)
Satcom Spa	-	1,555	(1,555)
Sei Spa	86	40	46
Set Spa	1,527	1,232	295
So.Sel Spa	-	1	(1)
Tamarete Energia Srl	331	-	331
Total	**1,966**	**26,497**	**(24,531)**

The significant decrease, compared to the previous year, relates to the 2009 reclassification of Acantho amongst subsidiaries.

The table below gives a detailed view of the breakdown of receivables due from related companies with significant influence:

Receivables from related companies with significant influence	31-Dec-09	31-Dec-08	Change
Municipality of Bologna	2,212	4,245	(2,033)
Municipality of Modena	9,748	9,265	483
Total	**11,960**	**13,509**	**(1,549)**

The tables below give a detailed view of the breakdown of receivables due from other related companies.

Receivables from other related parties	31-Dec-09	31-Dec-08	Change
Acosea Impianti Srl	2,837	2,801	36
Adriatica Acque Srl	44	38	6
Azimut Spa	102	5	97
Amir - asset	421	472	(51)
Area - asset	125	545	(420)
Calorpiù Italia Scarl in liquidation	-	(73)	73
Con.Ami	1,457	1,531	(74)
Consorzio Energia Servizi Bologna in liquidation	-	17	(17)
Dyna Green Srl	2	2	-
Eris Scrl Energia Risorse Sviluppo	-	575	(575)
Estense Global Service Soc. Cons. a rl	1,235	27	1,208
Feronia Srl	80	-	80
Fiorano Gestioni Patrimoniali Srl	10	-	10
Formigine Patrimonio Srl	161	-	161
Hera Comm Mediterranea Srl	-	2,047	(2,047)
Hera Energie Bologna Srl	-	123	(123)
Modena Network S.p.A	176	-	176
Romagna Acque Spa	2,240	5,348	(3,108)
Sassuolo Gestioni Patrimoniali Srl	603	273	330
Serramazzoni Patrimonio Srl	7	-	7
Sgr Servizi Spa	65	685	(620)
Sinergia Srl	-	12	(12)
Società Italiana Servizi Spa - SIS Spa Asset	12	19	(7)
So.Sel Spa	(1)	-	(1)
Team - asset	487	488	(1)
Unica reti - asset	998	1,206	(208)
Total	**11,062**	**16,142**	**(5,080)**

The decrease is related to lower receivables from Romagna Acque due to the sale of the business unit for the management of water production plants in the municipalities of Forlì, Cesena, Ravenna and Rimini.

Credit risk

The book value of the trade receivables shown in the financial statements is the maximum theoretical exposure to credit risk for Hera Spa as at 31 December 2009. Even if not formalised, there is a procedure for disbursing loans to customers that contemplates making special individual assessments. These operations make it possible to reduce the concentration and exposure to credit risk posed by both business and private customers.

Analyses are periodically made of the credit standings still open so as to single out any critical issues. Should individual positions turn out to be entirely or partially uncollectible, an adequate writedown is provided. With regard to the receivables that do not undergo individual writedowns, allocations are made to bad debt provision, on the basis of historic analysis (in relation to the aging of the receivables, the type of recovery action undertaken and the status of the creditor).

With regard to customers as at 31 December 2009, trade receivables can be broken down into the following classes:

	Entities	Business	Mass Market	Total
amount	59,821	15,952	123,630	199,403
incidence	30%	8%	62%	100%

With regard to customers as at 31 December 2008, trade receivables can be broken down into the following classes:

	Entities	Business	Mass Market	Total
amount	84,547	19,023	107,798	211,368
incidence	40%	9%	51%	100%

25. Contract work in progress

	31-Dec-09	31-Dec-08	Change
Long-term contracts	9,424	1,604	7,820
Total	**9,424**	**1,604**	**7,820**

As at 31 December 2009, contract work in progress amounts to Euro 9,424 thousand and refers to plant works at third-party sites. The remarkable increase in this item is due to the spin-off of territorial operating companies.

26. Financial assets

	31-Dec-09	31-Dec-08	Change
Current receivables due from subsidiary companies	123,416	2,952	120,464
Current receivables due from associated companies	12,484	96	12,388
Current receivables due from others	904	442	462
of which for mortgages to collect	372	371	1
of which loans granted to others	-	-	-
of which for other	532	71	461
Other securities	5	5	-
Total	**136,809**	**3,495**	**133,314**

The table below provides a breakdown of the changes in current receivables due from subsidiary companies.

	final balance 31-Dec-08	Mergers	Spin-offs	Transfer of business units	changes for the year				final balance 31-Dec-09
					increases	(sales)	reval.(w-d.)	other changes	
Other receivables from subsidiaries (Akron)					1,625			(300)	1,325
Medea Spa, non-interest-bearing loan	492								492
Hera Rete Modena, interest-bearing loan	2,460				100			(2,560)	-
Receivables to Group companies for centralised treasury	-				121,599				121,599
Total	**2,952**	**-**	**-**	**-**	**123,324**	**-**	**-**	**(2,860)**	**123,416**

The increase of receivables from subsidiaries, in the year, mainly refers to a different classification, with respect to 2008, of receivables from some Group companies for centralised treasury which, in 2008, were included in item “Trade receivables”.

27. Other current assets

	31-Dec-09	31-Dec-08	Change
Energy efficiency bonds and emissions trading	33,536	16,084	17,452
Guarantee deposits	14,245	14,177	68
Equalisation fund for electricity and gas services	9,310	4,375	4,935
Sundry tax receivables	8,433	4,880	3,553
Receivables for contributions with plants	6,381	6,673	(292)
Receivables for dividends	6,334	-	6,334
Costs advanced for substitute tax charges	5,431	7,228	(1,797)
Receivables due from group companies deriving from tax consolidation	4,604	10,229	(5,625)
Advances to suppliers/employees	3,918	3,072	846
Costs advanced for leasing and hiring	3,555	456	3,099
Insurance costs	2,469	2,885	(416)
Receivables from asset companies	1,731	1,731	-
Suspended costs for “door-to-door” campaign	1,101	-	1,101
Receivables due to municipalities for tax moratorium	1,082	1,783	(701)
VAT, excise and additional taxes	1,021	5,376	(4,355)
Consorzio Ami	789	2,318	(1,529)
Receivables due to social security institutions	682	296	386
Advanced costs for purchase of raw materials	656	172	484
Suspended costs for services and external works	582	-	582
Receivables due from Federambiente and Federgasacqua	542	390	152
Advanced costs for energy efficiency securities	368	1,261	(893)
Rents payables and concession fees for network services	303	1,095	(792)
Receivables for disposal of equity investments	81	1,123	(1,042)
Advanced costs for charges, bank fees and guarantee expenses	52	1,951	(1,899)
Withheld amounts on interest	51	48	3
Insurance reimbursements	-	124	(124)
Advanced costs for maintenance of IT systems	-	513	(513)
Credit institutions for interest on swap	-	507	(507)
Suspended costs for waste disposal	-	1,244	(1,244)
Other receivables	4,778	6,621	(1,843)
Total	**112,035**	**96,612**	**15,423**

The main items are described hereunder:

Energy efficiency bonds and emission trading are composed of receivables for white, green and grey certificates. Receivables for white certificates amounted to Euro 19,786 thousand (Euro 8,848 thousand as at 31 December 2008), receivables for green certificates amounted to Euro 12,125 thousand (Euro 6,477 thousand as at 31 December 2008), while receivables for grey certificates amounted to Euro 1,625 thousand (Euro 759 thousand as at 31 December 2008). Receivables for green certificates mainly relate to those accrued in the second half of the year, for which Hera Spa, holder of the trading right, manages the operations on behalf of Herambiente, owner of the plants that benefit from the certificates. It is noted that Hera Spa sold green certificates accrued in the first half of 2009 to Herambiente, for a value of Euro 10,195 thousand as at 31 December 2009. This value is indicates for information only, as Hera Spa, is still owning these rights already transferred to Herambiente, as the acknowledgement of the trading right of latter is still pending.

It should be noted that the Group accounted for the green certificates regarding the WTE of Ferrara for a total amount accrued, for the years 2008 and 2009, equal to Euro 7,360 thousand. This accounting was made based on provisions set forth by Art. 1, subsections 1117 and 1118 of Law no. 296/2006 (2007 Financial Bill). In this table, the Administration body recognises the incentives in favour of electricity power plants from renewable sources and sources assimilated to renewable sources, without making any distinction between organic and inorganic portion of waste, safeguarding the purchase right of plants, as the one located in Ferrara, which was compliant with all terms provided for by the financial bill itself (1 January 2007). In particular: a) signature of the special agreement with Gse b) almost completed plant and c) necessary authorisations.

The guarantee deposits, totalling Euro 14,245 thousand, mainly consist of the deposit established in favour of Acosea Impianti Srl (Euro 12,000 thousand) and of guarantee deposits in favour of sundry public institutions and companies.

Item "Equalisation fund for electricity services" shows a balance as at 31 December 2009 of Euro 9,310 thousand (Euro 4,375 thousand as at 31 December 2008). The increase over the previous year relates to the liability for the equalization of the gas business defined following the introduction of new legislation (Italian Authority for Electricity and Natural Gas resolutions no. 159/08 and no. 64/09).

Item “Sundry tax receivables”, equal to Euro 8,433 thousand (Euro 4,880 thousand as at 31 December 2008) mainly comprises tax credits on district heating. The increase compared, to the 31 December 2008 figure, was due to the reform introduced by Article 1(53) of Law No. 244 dated 24 December 2007, under which as of 1 January 2008 the use of such receivables is limited to an annual Euro 250,000, with any surplus amounts available for offsetting only three years after the year in which the surplus was generated.

“Receivables for contributions with plants”, amounting to Euro 6,381 thousand, chiefly relate to payments to a sinking fund by various Entities, but still to be collected as at the year end.

Receivables for dividends, equal to Euro 6,334 thousand, relate in the amount of Euro 6,324 thousand, to the credit for 2008 dividends, still uncollected as at the balance-sheet date, by the subsidiary Frullo Energia Ambiente Srl.

Receivables due from group companies deriving from the “tax consolidation” procedure total Euro 4,604 thousand (Euro 10,229 thousand as at 31 December 2008).

Item “Costs advanced for leasing and hiring”, equal to Euro 3,555 thousand, increased compared to the previous year due to costs borne in December 2009 for the lease agreement of a partial area in Viale Berti Pichat (related to the 2010/2014 period).

Receivables from VAT, excise and additional taxes amount to Euro 1,021 thousand. The decrease, compared to the previous year, is related to the Group VAT balance that, in 2009, is accounted for under item “Tax liabilities”.

Reclassifications made for some items recorded in the financial statements as at 31 December 2008 are shown below. It should be specified that current assets are disclosed in one single table while, in the previous year, "Other receivables" were disclosed separately.

	2008 published	reclassification	2008 reclassified
Compensation Fund for electricity services	312	(312)	-
Equalisation fund for electricity and gas services	-	312	312
Equalisation fund (electricity standardisation)	3,593	(3,593)	-
Equalisation fund for electricity and gas services	-	3,593	3,593
Compensation fund for continuous income from electricity services	470	(470)	-
Equalisation fund for electricity and gas services	-	470	470
Other receivables	7,011	(7,011)	-
Receivables due from Federambiente and Federgasacqua		390	390
Other receivables	-	6,621	6,621
Total	11,386		11,386

Highlights	
Total equalisation fund for electricity and gas services, reclassified	4,375
Total receivables due from Federambiente and Federgasacqua, reclassified	390
Total other receivables, reclassified	6,621

Item "Receivables due from subsidiary companies" in the other current assets relates to sundry advances and tax-related receivables (receivables/payables for tax consolidation) already specified.

A breakdown by company is provided below:

Other current assets - subsidiaries	31-Dec-09	31-Dec-08	Change
A.S.A. Spa	105	(20)	125
Akron Spa	157	724	(567)
Ecosfera Spa (merged in Akron Spa)	-	16	(16)
Famula On-line Spa	94	747	(653)
Frullo Energia Ambiente Srl	6,722	1,332	5,390
Herambiente Srl (former Ecologia Ambiente Srl)	1,748	3,316	(1,568)
Hera Imola-Faenza Srl	-	23	(23)
Hera Bologna Srl	-	171	(171)
Hera Comm Mediterranea Srl	(2,043)	-	(2,043)
Hera Comm Srl	2,591	1,759	832
Hera Ferrara Srl	-	1,139	(1,139)
Hera Forlì-Cesena Srl	-	(150)	150
Hera Energie Rinnovabili Spa	(16)	(8)	(8)
Hera Luce Srl	(296)	374	(670)
Hera Modena Srl	-	(669)	669
Hera Ravenna Srl	-	1,562	(1,562)
Hera Rimini Srl	-	(160)	160
Hera Servizi Funerari Srl	24	16	8
Hera Trading Srl	2,319	1,323	996
Herasocrem Spa	(111)	(155)	44
Medea Spa	589	454	135
Nuova Geovis Spa	54	210	(156)
Recupera Srl (merged in Herambiente Spa)	-	161	(161)
Sinergia Srl	(51)	-	(51)
Sotris SpA	(38)	(97)	59
Uniflotte Srl	(322)	(240)	(82)
Total	**11,526**	**11,828**	**(302)**

"Receivables due from other related parties" in the other current assets are:

Other current assets - associated companies	31-Dec-09	31-Dec-08	Change
Azimut Spa	20	20	-
Acosea Impianti Srl	12,000	12,000	-
Con.Ami	789	2,999	(2,210)
Formigine Patrimonio Srl	93	-	93
Hera Energie Bologna Srl	-	(17)	17
Maranello Patrimonio Srl	3	-	3
Modena Network Spa	4	-	4
Sgr Servizi Spa	-	2	(2)
Sinergia Srl	-	76	(76)
Società Italiana Servizi Spa - SIS Spa Asset	1,576	1,576	-
Unica reti - assets	135	135	-
Total	**14,621**	**16,792**	**(2,171)**

Other current assets - related parties w/significant influence	31-Dec-09	31-Dec-08	Change
Municipality of Bologna	12	-	12
Municipality of Modena	433	-	433
Total	**445**	**-**	**445**

Geographical distribution of receivables

All receivables due to the company are owed by Italian customers and investee companies.

28. Cash and cash equivalents

	31-Dec-09	31-Dec-08	Change
Postal and bank deposits	279,456	117,101	162,355
Cheques	2,452	-	2,452
Cash on hand	137	38	99
Total	**282,045**	**117,139**	**164,906**

As at 31 December 2009 cash and cash equivalents total Euro 282,045 thousand (Euro 117,139 thousand as at 31 December 2008) and include cash, cash equivalents existing at the central and decentralised accounts, deposits held at banks and credit institutions in general available for current operations as well as postal current accounts. The increase compared to the previous year is attributable to the financial resources contributed by the bond issued in November 2009.

Classification of financial assets and liabilities pursuant to IFRS 7

The following table illustrates the composition of Company assets by measurement class. The fair value of the derivatives is instead itemized in Note 22.
Liabilities are all measured on the basis of “amortised cost”.

31-Dec-09	Fair value in income statement	Receivables and loans	Held to maturity	Available for sale	Total
Non-current assets		**13,392**		**1**	**13,393**
Financial assets valued at fair value				1	**1**
Non current receivables to related parties		13,297			**13,297**
Receivables		95			**95**
Current assets	**33,536**	**926,097**		**5**	**959,638**
Trade receivables		710,794			710,794
Financial assets valued at fair value				5	5
Financial receivables		136,804			136,804
Other assets	33,536	78,499			112,035

31-Dec-08	Fair value in income statement	Receivables and loans	Held to maturity	Available for sale	Total
Non-current assets		**15,695**		**1**	**15,696**
Financial assets valued at fair value				1	1
Non current receivables to related parties		15,586			15,586
Receivables		109			109
Current assets	**16,084**	**1,269,428**		**5**	**1,285,517**
Trade receivables		1,185,410			1,185,410
Financial assets valued at fair value				5	5
Financial receivables		3,490			3,490
Other assets	16,084	80,528			96,612

With regard to "non-current assets", please see the itemization in Note 20.
With regard to "current assets", please see the itemization in Notes 24, 26 and 27.

29 Share capital and reserves

The statement of changes in shareholders' equity is shown in paragraph 3.01.04 of these parent company financial statements.

The information to be provided pursuant to Article 2427, no. 7 bis, which prescribes that the individual items making up shareholders' equity be analysed, setting forth their specification of availability, origin and utilisation in previous years, is stated below.

	Amount	Possible use	Available portion
SHARE CAPITAL	1,115,014		
Reserve for treasury shares at par value	(2,893)		
CAPITAL RESERVES:			
Share premium reserve	15,269	**A,B**	15,269
Revaluation reserve	2,885	**A,B,C**	2,885
Reserve for capital contributions	5,400	**A,B,C**	5,400
Reserve from difference between purchase value and par value of treasury shares	(1,948)		
Reserve for share swap surplus	42,408	**A,B,C**	42,408
Reserve for transfer	48	**A,B,C**	48
TOTAL CAPITAL RESERVES	64,062		
CAPITAL RESERVES:			
Legal reserve	22,928	**B**	
Extraordinary reserve	13,544	**A,B,C**	13,544
Reserve for retained earnings	2,061	**A,B,C**	2,061
Reserves for treasury shares gains	258	**A,B,C**	258
TOTAL RESERVES FOR PROFITS	38,791		
IAS/IFRS RESERVES:			
IAS/IFRS reserves	209	**available**	209
Reserve, Art. 7, p. 6, Leg. Dec.38/2005	27,038	**not available**	
Reserve, Art. 7, p. 7, Leg. Dec.38/2005	29,594	**not available**	
Reserve, Art. 6, p. 2, Leg. Dec.38/2005	15,850	**not available**	
Reserve as per IFRS 3	227,008	**available**	227,008
Reserve for surplus from spin-off, merger and combination of entities subject to joint control	79,291	**available**	79,291
TOTAL IAS/IFRS RESERVES	378,990		
GRAND TOTAL	1,593,964		388,381
NON-DISTRIBUTABLE AMOUNT			15,269
RESIDUAL DISTRIBUTABLE PORTION			373,112

Key: A: for share capital increase; B: to cover losses; C: to shareholders

Share capital

The share capital as at 31 December 2009 was Euro 1,115,013,754, fully paid-up, and represented by 1,115,013,754 ordinary shares with a par value of Euro 1 each.
The General Shareholders' Meeting of Hera Spa on 21 October 2009 approved a capital increase from Euro 1,032,737,702 to Euro 1,115,013,754, therefore, totalling Euro 82,276,052, through the issue of 82,276,052 new ordinary shares reserved for shareholders: Municipality of Ferrara, Holding Ferrara Servizi Spa, Con.Ami and Area Asset Spa. For a fuller description of the transaction, please see the introduction.

Reserves for treasury shares

The item "Reserve for treasury shares" includes the "Reserve for treasury shares at par value" for a negative value of Euro 2,893 thousand; it reflects the number of treasury shares in the portfolio as at 31 December 2009 and is considered a reduction of share capital. "Reserve for gains/losses on sale of treasury shares" and "Reserve for treasury shares exceeding par value" are recorded among the shareholders' equity reserves for a positive value of Euro 209 thousand and a negative value of Euro 1,948 thousand, respectively. These reserves, established in compliance with the accounting standards of reference, reflect the treasury shares transactions carried out as at 31 December 2009. The change during the year generated capital gains amounting to Euro 39 thousand, and a capital loss, equal to Euro 636 thousand, respectively credited and attributed directly to shareholders' equity reserves.

Reserves

The item "Reserves", equal to Euro 494,726 thousand, includes the following reserves:

- legal for Euro 22,928 thousand,
- extraordinary for Euro 13,544 thousand,
- revaluation for Euro 2,885 thousand,
- share premium reserve for Euro 15,269 thousand,
- capital account payments for Euro 5,400 thousand,
- others for Euro 49 thousand
- share swap surplus for Euro 42,408 thousand,
- IAS/IFRS reserve for Euro 20,769 thousand, generated after adoption of international accounting standards;
- "provision for gains on sales of treasury shares": Euro 209 thousand
- IFRS3 reserve for Euro 227,008 thousand, deriving from the integrations of Agea Spa, Meta Spa, Geat Distribuzione Gas Spa, Sat Spa, and from transfer of assets (Agea Reti Srl, Con.Ami and Area Assets Spa),
- reserve that cannot be disposed of according to art. 6, section 2, Leg. Decree 38/05, for Euro 64,708 thousand
- reserve for dividends received on treasury shares, for Euro 258 thousand.
- reserve for surplus from spin-off, merger and business combination subject to joint control, for Euro 79,291 thousand.

The latter is composed of:

- reserve for spin-off surplus, equal to Euro 57,384 thousand, resulting from the spin-off of territorial operative companies;
- reserve for surplus from spin-off, negative by Euro 5,417 thousand, resulting from mergers of Gastecnica Galliera Srl, Hera Rete Modena Srl, Pri.Ge.A.S Srl.;

  reserve for business combinations subject to joint control, amounting to Euro 27,324 thousand; in particular, this reserve includes capital gains made from the sale of equity investments in Akron and Ecosfera, to Herambiente and Akron, respectively.

Reserves for derivative instruments measured at fair value (Cash Flow-Hedge)

As at 31 December 2009, this reserve had a negative balance of Euro 12,995 thousand following changes determined by fair value valuation of reference derivatives. Changes in this reserve are reported in the Statement of Changes in Shareholders' Equity, paragraph 03.01.05.

Retained profit

The item totals Euro 2,061 thousand.

30. Payables to banks and medium/long- and short-term financing

As at 31 December 2009, medium/long-term loans amounted to Euro 1,751,203 thousand (Euro 1,412,426 thousand as at 31 December 2008) and mainly comprise bond loans, mortgages and loans raised.

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

During 2007, Hera Spa also issued or underwrote the following bonds or loans:

Descrizione Bond	Controparte	Importo in milioni di euro	Durata	Tasso
Put bond	Deutsche Bank AG London	100	3 anni più 10 anni in caso di non esercizio della put option	Euribor a 3 mesi ridotto di 29 punti base. In caso di mancato esercizio della put option alla fine de terzo anno, il bond sarà regolatao al tasso fisso del 4,593%
Extendable put bond	BNP Baribas	200	20 anni. Il possessore ha la possibilità ogni due anni richiedere il rimborso alla pari	Per i primi 5 anni, Euribor a 3 mesi meno 45 centesimi. Per i successivi 15 anni, tasso fisso del 4,85% maggiorato del credit spread
Put loan extendable step up	Royal Bank of Scotland Plc	50	3 anni più 10 anni in caso di non esercizio della put option	Per i primi 3 anni, Euribor a 3 mesi ridotto di uno spread del 0,45%. Per i successivi 10 anni, tasso fisso del 4,41% maggiorato del credit spread
Put loan extendable step up	Barclays Capital Plc	50	3 anni più 10 anni in caso di non esercizio della put option	Per i primi 3 anni, Euribor a 3 mesi ridotto di uno spread del 0,46%. Per i successivi 10 anni, tasso fisso del 4,44% maggiorato del credit spread

Key: Bond description; Counterparty; Amount in millions of euro; Term; Rate; 3 years + 10 years if put option is not exercised; 3-month Euribor, reduced by 29 points. If the put option is not exercised at the end of the third year, the bond will be paid at 4.593% fixed rate; 20 years. The holder can ask for par reimbursement every two years; For the first 5 years, 3-month Euribor, less 45 cents. For the following 15 years, 4.85% fixed rate, increased by the credit spread; 3 years + 10 years if put option is not exercised; For the first 3 years, 3-month Euribor, reduced a 0.45% spread; For the following 10 years, 4.41% fixed rate, increased by the credit spread; 3 years + 10 years if put option is not exercised; For the first 3 years, 3-month Euribor, reduced a 0.46% spread. For the following 10 years, 4.44% fixed rate, increased by the credit spread.

In 2008, Hera SpA issued an additional “puttable, callable, resettable" bond organised with Banca IMI, BNP Paribas, and The Royal Bank of Scotland for Euro 200 million, extendable to Euro 250 million, expiring in 2031. The terms for exercising the call and put options envisaged in the structure and transferred to third parties point out that the transaction as a whole is basically a fixed-rate loan, both during the first three years and during the years that follow, should the call option be exercised, without prejudice to the possibility of early repayment if bondholders exercise the put option. The contractual terms of this loan are therefore similar to the other "put bonds" stipulated by the Group. It is therefore thought to calculate this loan at amortised cost according to the same procedures adopted for the above-mentioned loans which are basically similar.

The above-mentioned bond loans and loans incorporate put options meeting the criteria specifying that that need not be valued independently according to the instructions given in IAS 39, paragraph AG30, letter g.

In late July 2009, Hera Spa issued a Japanese Yen 20 billion 15-year bond simultaneously hedged in Euro, for a total value of around Euro 150 million, in order to eliminate the exchange rate risks. The bond was fully subscribed by a single investor and settled by 2.925% fixed rate semi-annual coupons. The exchange risk on this bond was hedged through the signature of a Cross Currency Swap, which recognises to Hera the amounts in yen of the bond, both as interest and upon expiration as capital account. In the Swap, Hera pays amounts in Euro on the notional, at a 3-month Euribor rate, added with a spread of 2.38 percentage points.

Towards the end of November 2009, Hera Spa also issued a Euro 500 million 10-year Eurobond repayable in full on maturity. The loan was placed at a price of Euro 99.28 and is settled by 4.5% fixed rate annual coupons.

The valuation of these transactions according to the amortised cost entailed entering interest expense equal to Euro 12,794 thousand (Euro 1,956 thousand at 31 December 2008).

For a full description of these transactions, please refer to the “Financial Policy and Rating” section of the Directors’ Report.
Existing loans at the balance sheet date are not provided with collaterals.

A list of the mortgage loans as at 31 December 2009 is provided in the table below.

Loans – maturitng beyond the next year	Residual 31-Dec-2009	Portion within year 2009	Portion after year 2009	Portion within 5th year	Portion after 5th year
Cassa depositi e prestiti	19,823	3,291	16,532	13,645	6,179
Total	**19,823**	**3,291**	**16,532**	**13,645**	**6,179**

It is noted that item “Loans to various institutes”, not provided as at 31 December 2009 (equal to Euro 44,088 thousand for short-term loans and Euro 292,642 thousand for long-term loans as at 31 December 2008) was transferred to Herambiente as at 1 July 2009.

Liquidity risk

Liquidity risk consists of the impossibility to cope with the financial obligations taken on due to a lack of internal resources or an inability to find external resources at acceptable costs.

Liquidity risk is mitigated by adopting policies and procedures that maximise the efficiency of management of financial resources. For the most part, this is done with the centralised management of incoming and outgoing flows (centralised treasury service); in the perspective assessment of the liquidity conditions; in obtaining adequate lines of credit; and preserving an adequate amount of liquidity.

Current cash, cash equivalents, and credit facilities, in addition to the resources generated by the operating and financing activities, are deemed sufficient to meet future financial needs. As at the balance sheet day, there are unused credit lines totalling Euro 1,198,792 thousand.

31. Provision for employee leaving indemnity and other employee benefits

	31-Dec-08	Mergers	Spin-offs	Busin.unit transfer	Changes for the year			31-Dec-09
					Allocations	Financial charges	Uses and other changes	
Employee leaving indemnity	13,631	15	62,965	(5,741)		1,980	(5,765)	67,084
Gas discount	2,466				6	69	(271)	2,270
Premungas provision	2,365				174	99	(436)	2,202
Tariff reduction provision	3,107		279		289	134	(433)	3,376
Total	**21,569**	**15**	**63,244**	**(5,741)**	**469**	**2,282**	**(6,905)**	**74,932**

Item “Employee leaving indemnity” includes provisions for employee leaving indemnities and other contractual benefits, net of advances paid out and payments made to the social security institutions pursuant to current regulations. The calculation is made using actuarial methods and updating future liabilities at the date of the balance sheet. These liabilities consist of the credit, which the employees will accrue as of the date they will presumably leave the company.

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

The item “tariff reduction provision” was provided to cover the charges deriving from the acknowledgement to retired staff of the electricity business unit of tariff concessions for electricity consumption.

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

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

	31-Dec-09	31-Dec-08
Average discount rate	4.52%	4.68%
Average increase rate in labour costs	3.50%	3.50%

32. Provisions for risks and charges

	31-Dec-08	Mergers	Spin-offs	Transfer of business units	Changes for the year		31-Dec-09
					Allocations	d other changes	
Provision for the restoration of third party assets	76,679	(1,774)		(2,134)	16,486	(27,597)	61,660
Landfill closure and post-closure cost provision	45,072			(45,071)	2,121	(2,122)	-
Provision for staff disputes and legal costs	8,828		3,151	(365)	1,712	(825)	12,501
Provision of future costs for electricity service rendered	2,788					(2,788)	-
Other provisions for risks and charges	7,297		302	(1,870)	4,852	(3,253)	7,328
TOTAL	**140,664**	**(1,774)**	**3,453**	**(49,440)**	**25,171**	**(36,585)**	**81,489**

The **provision for the restoration of third party assets** equal to Euro 61,660 thousand includes the provisions made in relation to the legal and contractual restrictions encumbering the company in its capacity as leaseholder of the distribution networks owned by the asset companies. These provisions have been made on the basis of the normal depreciation rates envisaged for the assets in question; rates established contractually for the purpose of compensating the lessor companies for the wear and tear of the assets used for the business activities, applied to the value of the assets received under lease.
In observance of the matters laid down by IAS 37, the provision reflects the current value of these outlays which will be determined in future periods (as a rule on expiry of the agreements entered into with the area agencies, as far as the water service is concerned, and on expiry of the transitory period anticipated by current legislation as far as gas distribution is concerned). The increases in the provision comprise the sum total of the provisions for the year, including those discounted back, and the financial charges which reflect the element deriving from the discounting back of the flows on an accruals basis. The significant decrease seen during the year is attributable to the termination, with effect from 1 July 2009, of existing leases with the asset companies Con.Ami and Areas Asset Spa. This termination was in preparation for the transfer of assets by the same companies as part of the increase transaction mentioned in the introduction.

The **landfill closure and post-closure provision** was entirely transferred to Herambiente Srl as at 1 July 2009 within the transaction mentioned in the introduction.

The **provision for staff disputes and legal costs**, amounting to Euro 12,501 thousand, reflects the assessments of the outcome of lawsuits and disputes brought by employees.

The provisions also include Euro 5,802 thousand relating to the dispute pending with INPS with regard to the demand for payment of contributions on social security benefits (**CIG, CIGS, mobility**) and on the reduction of contribution rates for family allowances (CUAF) and for the maternity contribution with regard to employees governed by the electricity sector collective labour agreement in the Modena area.

In relation to the contributions on **CIG, CIGS and mobility**, the Hera Group deems that said contribution is not due, not only based on legal rules but also on the fundamental consideration that these social shock absorbers are effectively unusable since the Group runs essential services, which must be constantly insured.
By contrast, INPS believes that the transformation into a joint-stock company and the transfer to private parties of even just a portion of the share capital, support the belief that the contributory obligation is enforceable.
With its message no. 18089 of 10 July 2007, INPS ordered that, according to the principles stated in circular no. 63/2005, the contribution obligation for CIG, CIGS and mobility was to go into effect on the very date the circular was issued, i.e. May 2005. This is in compliance with the Council of State opinion expressed (opinion no. 65 of 8 February 2006 referring to Enel Spa) regarding the non-retroactivity of the contribution obligations referred to in the circular. Actually, despite the fact that the literal tone of the message seems to undoubtedly regard the industrial companies of the public institutions (former municipal enterprises) as well, INPS - in latching on to circular 63/2005 – maintained that the message takes on its area of application, thereby referring only to Enel Spa, and asserts this in court. On 5 February 2008, the Employment Ministry intervened with a message addressed to the INPS General Management. It stated that the conclusions the Council of State reached regarding the non-retroactivity prior to May 2005 of the contribution obligation for CIG, CIGS and mobility by necessity are general and unequivocal in order to protect the unavoidable principle of “par condicio” amongst market operators. Therefore, they also apply to the industrial companies of the public institutions (which the Hera Group also is part of).
The Group claim, that it was not obliged to pay CIG and CIGS contributions, was accepted in 2004 by order of the Court of Genoa, but was later overturned by the court of appeal in November 2005. In December 2006 the Ravenna Employment Tribunal upheld two petitions for Hera Ravenna Srl and Hera Spa and declared the contributions for involuntary unemployment, CIG, CIGS and mobility to be not due, unlike what INPS claimed.
Following a declaratory action brought in 2000 by Amir Spa, Hera Spa submitted an appeal to the Supreme Court, which was concluded with ruling 14847/09 rejecting the appeal for CIG contributions, and referring the case to the court of appeal for Mobility contribution. However, an additional proceeding is pending in the Supreme Court, unrelated to the Hera Group, from the Court of Appeal of Genoa. The Supreme Court may therefore review the position, with effects also on first instance proceedings. At the very least, it should confirm the waiver of contributions to the redundancy fund (CIG) prior to May 2005, according to the specific opinion of the State Council.
In addition, it should also be noted that the INPS shall not file any new claims regarding CIG, CIGS, or Mobility following the new classification in the Service sector, from 2010, of nearly all the Group companies (the contribution in question shall only apply to the Industrial sector).

Regarding the contribution for **family allowances (Cuaf)** and the **maternity** contribution, this type of litigation only concerns the INPDAP personnel regulated by the electricity sector collective labour agreement, and is based on the interpretation of Article 41 of Law 488/1999 (Finance Act 2000). In particular, this contribution relates to the area of Modena only, as it results from the former Meta Spa. Following consultation at the time with the Modena INPS Positions Management Office, the former Meta Spa applied reduced rates starting in 2001, at the same time it requested reimbursement of the greater contributions it had paid in, but which were not due, regarding financial year 2000 (reimbursement that then was actually made between 2001 and 2002).
As from November 2003, however, INPS served the notices by means of which it requested the payments of the contributions at the full rate, completely amending the interpretative position previously adopted, deeming that the reduction of the CUAF and maternity rates owed by the electricity sector was not applicable for the workers enrolled with INPDAP. Meanwhile, this reduction was applied without objection in

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

Finally, a note on the evolution of the regulatory framework for **Unemployment and Sickness** contributions, Legislative Decree 112/2008 - art. 20, has forfeited any past INPS claims relating to Unemployment and Sickness contribution. The portion of contributions contained in these filings for such purposes is no longer considered a risk. In addition, there may be no new INPS claims as all Hera Group companies have regularly paid the Sickness contribution since 2005 and the Unemployment contribution since 2009.

In view of the information reported above, a prudential allocation of Euro 5,802 thousand was made to the aforementioned provision, which takes into account the filings already paid for and any liabilities deriving from the suspended filings currently received, amounting to approximately Euro 20.5 million. This amount refers to the contributions contained in the filings by way of CIG, CIGS Mobility, CUAF and Maternity, excluding however the portion by way of Unemployment and Sickness contributions for the above reasons.
This fund is deemed to be appropriate, in view of both the likely development of the litigation and the opinions of the appointed legal advisors.

The **provision of future costs for electricity service rendered**, was created in past years for future payments related to the self-certification of electricity tariffs was entirely used during the year.

The item **Other provisions for risks and charges**, amounting to Euro 7,328 thousand, comprises provisions made against sundry risks. The main items are summarised below:

- Euro 1,697 thousand for the MIS quota, charges for electrical service continuity and equal distribution;
- Euro 2,104 thousand in spending on restoration of goods reverting freely, relating to water supply system in Rosola, held in concession, the Valle Savio provision and other risk funds of very modest amounts connected with environmental problems;
- Euro 2,546 thousand relates to the provision made in relation to customer compensation for water service leaks;
- Euro 981 thousand related to further provisions of various kind, all with a substantially modest amount.

33. Deferred tax liabilities

	31-Dec-09	31-Dec-08	Change
Deferred tax liabilities	39,061	3,204	35,857
Other IAS/IFRS deferred tax	72,346	66,881	5,465
TOTAL	**111,407**	**70,085**	**41,322**

Deferred tax liabilities are generated by temporary differences between the balance sheet profit and taxable income. The increase, compared to the previous year, is due to the merger of Hera Rete Modena Srl and the corresponding undertaking of the deferred tax burden related to technical fixed assets.

Deferred tax payables generated by IAS/IFRS effects are reported separately. These liabilities refer to application of the following principles:

	31-Dec-09	31-Dec-08	Change
IAS 37 Restoration of third party assets and landfill post-closure	15,505	31,154	(15,649)
IAS 16 Fixed assets	34,154	33,090	1,064
IAS 17 Financial leases	1,581	1,581	-
IAS 19 Employee leaving indemnity and other employee benefits	3,545	1,056	2,489
IFRS 3 Business combinations	17,561	-	17,561
Total	**72,346**	**66,881**	**5,465**

The decrease in the provision for deferred taxes compared to the provision for restoration of third party assets is attributable to the consensual resolution of leasehold contracts of business lines with the companies Area Asset and Con.Ami occurred on 29 July 2009; the effect of these resolutions, as the balance, or repayment liability, of the tenant against the grantor, was lower than the provision for restoration allocated on the financial statements, generating extraordinary income for the difference, subject to tax. Therefore, the reversal effect of the accumulated IAS difference on this provision for restoration has been considered all in one year, with the simultaneous absorption of deferred taxes already entered in the financial statements.

The increase in deferred tax relating to the IFRS 3 transaction is due to the transfer of the respective business units by Area Asset Spa and Con.Ami, leading to the posting of higher and lower values for assets which are not recognised for tax purposes.

34. Financial leasing payables

	31-Dec-09	31-Dec-08	Change
Financial leasing payables – maturing term within the next year	2,732	2,710	22
Financial leasing payables – maturing beyond the next year	2,928	5,267	(2,339)
Total	**5,660**	**7,977**	**(2,317)**

This item represents the recording of payables arising from the accounting of leasing transactions using the financial method.

35. Trade payables

	31-Dec-09	31-Dec-08	Change
Advance payments	**1,200**	**568**	**632**
Payables to suppliers	**258,449**	**156,894**	**101,556**
of which invoices received	157,883	97,183	60,700
of which invoices to be received	100,566	59,711	40,855
Payables due to related parties	**317,700**	**866,663**	**(548,963)**
Payables due to subsidiaries	**283,367**	**833,175**	**(549,808)**
of which invoices received	52,141	169,364	(117,223)
of which invoices to be received	144,567	377,018	(232,451)
of which other payables	86,660	286,794	(200,135)
Payables due to associated companies	**916**	**13,166**	**(12,249)**
of which invoices received	698	10,342	(9,644)
of which invoices to be received	218	2,824	(2,606)
Due to associated companies with significant influence	**8,755**	**8,466**	**289**
of which invoices received	6,276	5,145	1,131
of which invoices to be received	2,479	3,321	(842)
Due to other related parties	**24,661**	**11,856**	**12,805**
of which invoices received	19,000	7,141	11,859
of which invoices to be received	5,660	4,715	946
Payables due to others	**1,890**	**332**	**1,558**
of which invoices received	1,776	254	1,522
of which invoices to be received	114	78	36
Total	**579,239**	**1,024,457**	**(445,218)**

Item “Advance payments” of Euro 1,200 thousand (Euro 568 thousand as at 31 December 2008) refer to advances received from customers for works to be performed.

Trade payables, all of a commercial nature and included in amounts provisioned to cover invoices due, total Euro 258,449 thousand (Euro 156,894 thousand as at 31 December 2008). Item “Payables to suppliers” also include payables to European suppliers, amounting to Euro 2,629 thousand (Euro 971 thousand as at 31 December 2008). Payables to suppliers must all be paid by next year.

Item “Payables to associated companies”, equal Euro 317,700 thousand, (Euro 866,663 thousand as at 31 December 2008) mainly regards application of the infragoup service contracts (waste disposal, IT services, telephony, equipped premises, fleets, etc).

The table below provides a breakdown of *payables due to subsidiaries*.
The analysis highlights that, on 31 December 2009, there are no debit positions with respect to territorial operative companies following the well-known spin-off.

Payables due to subsidiaries	31-Dec-09	31-Dec-08	Change
Acantho Spa	10,777	-	10,777
Acque Srl	211	-	211
Agea Reti Srl	1,170	-	1,170
A.S.A. Spa	7	(81)	88
Akron Spa	424	5,414	(4,989)
Calorpiù Italia Scarl in liquidation	15	-	15
Ecosfera Spa (merged in Akron Spa)	-	715	(715)
Eris Scrl Energia Risorse Sviluppo	781	-	781
Famula On-line Spa	24,159	19,847	4,313
Frullo Energia Ambiente Srl	528	3,300	(2,772)
Gal.A. Spa	-	1,332	(1,332)
Herambiente Srl (former Ecologia Ambiente Srl)	91,875	73,359	18,516
Hera Imola-Faenza Srl	-	45,434	(45,434)
Hera Bologna Srl	-	132,067	(132,067)
Hera Comm Srl	49,422	246,195	(196,773)
Hera Comm Mediterranea Srl	4	-	4
Hera Energie Bologna Srl	285	-	285
Hera Ferrara Srl	-	36,602	(36,602)
Hera Forlì-Cesena Srl	-	44,995	(44,995)
Hera Luce Srl	6,277	5,483	794
Hera Modena Srl	-	71,023	(71,023)
Hera Ravenna Srl	-	53,629	(53,629)
Hera Rimini Srl	-	35,831	(35,831)
Herasocrem Spa	107	194	(87)
Hera Trading Srl	88,373	47,571	40,803
Ingenia Srl in liquidation	124	92	33
Medea Spa	-	19	(19)
Nuova Geovis Spa	15	1,400	(1,385)
Recupera Srl (merged in Herambiente Srl)	-	3,078	(3,078)
Romagna Compost Srl	-	347	(347)
Satcom Spa	(117)	-	(117)
Sinergia Srl	2,804	-	2,804
Sotris SpA	18	655	(637)
Uniflotte Srl	6,107	4,676	1,431
Total	**283,367**	**833,175**	**(549,808)**

The table below provides a breakdown of *payables due to associated companies*, all governed at arm's length conditions:

Payables due to associated companies	31-Dec-09	31-Dec-08	Change
Acantho Spa	-	11,851	(11,851)
Agea Reti Srl	-	585	(585)
Agess Scarl	-	10	(10)
PRI.GE.A.S. Srl	-	6	(6)
Satcom Spa	-	(237)	237
Service Imola Srl (AMI)	916	627	289
So.Sel Spa	-	326	(326)
Total	**916**	**13,166**	**(12,249)**

The decrease, compared to the previous year, relates to the 2009 reclassification of Acantho amongst subsidiaries.

The table below provides a breakdown of *payables due to associated companies with significant influence*:

Payables due to associated companies with significant influence	31 Dec 2009	31 Dec 2009	Change
Municipality of Bologna	5.665	5.604	61
Municipality of Modena	3.090	2.862	228
Total	**8.755**	**8.466**	**289**

The table below provides a breakdown of *payables due to other associated companies*:

Payables due to other associated companies	31-Dec-09	31-Dec-08	Change
Adriatica Acque Srl	38	72	(34)
Amir - asset	1,071	906	165
Area - asset	201	198	3
Azimut Spa	185	-	185
Calorpiù Italia Scarl in liquidation	-	33	(33)
Con.Ami	382	628	(246)
Consorzio Energia Servizi Bologna in liquidation	-	100	(100)
Eris Scrl Energia Risorse Sviluppo	-	1,121	(1,121)
Estense Global Service Soc. Cons. a rl	1,695	780	915
Fiorano Gestioni Patrimoniali Srl	489	184	305
Formigine Patrimonio Srl	296	243	52
Hera Comm Mediterranea Srl	-	2	(2)
Hera Energie Bologna Srl	-	207	(207)
Maranello Patrimonio Srl	495	280	215
Romagna Acque Spa	13,342	427	12,915
Sassuolo Gestioni Patrimoniali Srl	1,981	1,527	454
Serramazzoni Patrimonio Srl	98	82	16
Sgr Servizi Spa	97	180	(83)
Sinergia Srl	-	2,588	(2,588)
So.sel Spa	1,188	-	1,188
Team - asset	8	12	(3)
Unica reti - asset	3,082	2,277	805
Members of BoD	13	10	3
Total	**24,661**	**11,856**	**12,805**

The increase, compared to the previous year, is mainly related to the amounts due to Romagna Acque Spa resulting from the spin-off of territorial operative companies in relation to the water service contract for water supply.

36. Income tax liabilities

	31-Dec-09	31-Dec-08	Change
Substitute tax	6,922	16,348	(9,426)
Withholding tax to employees	6,904	2,264	4,640
VAT tax	6,863	-	6,863
Income tax payables	3,796	21,575	(17,779)
Excise and additional taxes	3,557	4,194	(637)
Compensation Fund for electricity services	1,814	-	1,814
Sewage fees	569	565	4
Other tax liabilities	1,044	2,875	(1,831)
Total	**31,469**	**47,821**	**(16,352)**

The most significant changes that have occurred since last year are noted below.

Item liability for “Substitute tax” reflects the option, established in Article 1, paragraph 48, of Law no. 244 of 24 December 2007 to which Hera Spa has already adhered to as at 31 December 2007. The liability for substitute tax is payable by the next financial year. The decrease over the previous year is due to the amounts paid during the year under the instalment plan, as required by law.

Item “Withholding tax to employees” shows a significant increase related to the personnel, following the spin-off of the territorial operative companies.

The liability for “Value added tax” represents the Group VAT balance, which was a tax credit in 2008.

Item “Income tax due”, equal to Euro 3,796 thousand, refers to the liability for IRES and IRAP taxes (Euro 3,292 thousand and 505 thousand, respectively). The decrease, compared to 2008, mainly refers to the decrease in IRES balance, which is due after the payment of advance payments, calculated using the historical method (and therefore without taking account of the effects deriving from extraordinary transactions of the year 2009, such as the transfer to Herambiente S.r.l.).

Item “Excise and additional regional taxes”, equal to Euro 3,557 thousand (Euro 4,194 thousand as at 31 December 2008) decreased by Euro 637 thousand mainly due to the payables due to the Province for the additional tax on waste.

Item “Other tax payables” decreased, compared to the previous year, primarily due to ecotax payables, transferred to Herambiente during the transfer of the business unit as from 1 July 2009.

Tax liabilities are payable by next year.

37. Other current liabilities

	31-Dec-09	31-Dec-08	Change
Capital grants	54,379	51,598	2,781
Guarantee deposits	25,057	24,490	567
Personnel	15,451	5,511	9,940
Works assigned to third parties for studies and design	6,823	4,521	2,302
Payables due to social security institutions: Inps, Inpdap, Inail	6,782	2,487	4,295
Insurance and deductibles	4,681	2,457	2,224
Payables due to other social security institutions	4,328	1,522	2,806
Municipalities for “environmental disruption" and establishment of guarantees	2,481	3,473	(992)
Equalisation fund for electricity and gas services	1,722	1,073	649
Payables for shareholders dividends	1,288	1,288	-
Other works and services	950	2,054	(1,104)
Contributions for piping and intakes	597	756	(159)
Customers	225	230	(5)
Directors and Statutory Auditors	113	20	93
Other liabilities	10,033	13,976	(3,943)
Total	**134,909**	**115,456**	**19,453**

The main items are described hereunder:

The increase in “Capital grants” is mainly due to the completion of some investments in the Integrated Water Cycle and following reclassification of the related amounts. This item will decrease in future periods in proportion to the amount of depreciation calculated on the assets referred.

Item “Payables for guarantees” reflects the sums paid by customers for water supply.

Payables to “Personnel” relate to holidays accrued and not taken as at 31 December 2009, productivity bonuses and wages and salaries. Item “Payables to other social security and welfare institutions” relate to contributions due to these institutions for the month of December. The increase in items “Personnel", "Payables to social security and welfare institutions" and "Payables to other welfare institutions" relates to labour force taken in charge as a result of the spin-off of the territorial operative companies.

The increase in item “Insurance and exclusions” refers to the *spin-off of territorial operating companies*.

Item "Equalisation fund for electricity services" shows a balance as at 31 December 2009, of Euro 1,722 thousand (Euro 1,073 thousand as at 31 December 2008). The increase over the previous year relates to the liability for the equalization of the gas business defined following the introduction of new legislation (Italian Authority for Electricity and Natural Gas resolutions no. 159/08 and 64/09).

As regards item “Directors and Statutory Auditors”, it is specified that the amount as at 31 December 2009 also includes the amounts due to corporate boards of the territorial operative companies. Therefore, as shown in table “Other current liabilities – associated companies”, the amount regarding the company’s Directors and Statutory Auditors is equal to Euro 27 thousand.

Said liabilities must be paid by next year.

It is specified that, as for item current liabilities, one single table was shown, while in the previous year, item “Other liabilities” was broken up separately.

“Payables due from other associated companies” in the other current liabilities are:

Other current liabilities – associated companies	31-Dec-09	31-Dec-08	Change
Area - assets	20	20	-
Azimut Spa	36	36	-
Con.Ami	-	527	(527)
Modena Network Spa	104	-	104
Team - asset	9	9	-
Members of BoD and Board of Statutory Auditors	27	20	7
Total	**196**	**612**	**(416)**

Other current liabilities - associated companies with significant influence	31-Dec-09	31-Dec-08	Change
Municipality of Bologna	-	355	(355)
Municipality of Modena	-	2,879	(2,879)
Total	**-**	**3,234**	**(3,234)**

38. Guarantees provided

	31-Dec-09	31-Dec-08	Change
Guarantees granted on behalf of:			
- sundry subjects	183,778	452,695	-268,917
Other personal guarantees granted on behalf of:			
- subsidiaries	801,081	473,868	327,213
- associated companies	3,666	9,434	-5,768
Total	804,747	483,302	321,445
Total	**988,525**	**935,997**	**52,528**

Guarantees granted in the interest of sundry subjects: they amount to Euro 183,778 thousand, with a negative change, compared to the previous year, of Euro 268,917 thousand, mainly attributable to the transfer transaction of “waste management division” from Hera Spa to Herambiente Srl.
The value as at 31 December 2009, includes the following:

° Euro 5,700 for the guarantee issued by Hera Spa on behalf of Acantho Spa, for the loan granted by Banca Infrastrutture Innovazione e Sviluppo Spa;

° Euro 70,200 thousand for the guarantee issued by Hera Spa on behalf of Set Spa, to guarantee a loan granted by the same Banca Infrastrutture Innovazione e Sviluppo Spa;

° Euro 548 thousand for the guarantee issued on behalf of Modena Network Spa, for a loan supplied by Unicredit Banca d'Impresa.

Other unsecured guarantees provided in favour of subsidiaries: Euro 801,081 thousand, with a positive change, compared to the previous year, amounting to Euro 327,213 thousand. This change is mainly due to the guarantees granted by Hera Spa on behalf of subsidiaries, within the corporate transaction regarding the waste management division and the development of the assets connected with the electricity and gas sector.
The value as at 31 December includes the following:

- Letters of patronage issued to guarantee loans, amounting to Euro 39,628 thousand, issued on behalf of:
    - Gal.A Spa , Euro 16,329 thousand;
    - Medea Spa, Euro 13,328 thousand;
    - Herambiente Srl, Euro 7,321 thousand,
    - Satcom Spa, Euro 2,200 thousand.
    - Calenia Energia Spa, Euro 450 thousand;

- guarantees for commodity swap finance contracts, for Euro 175,000 thousand, on behalf of Hera Trading Srl;

  guarantees for contract obligations, for Euro 582,872 thousand, on behalf of:
    - Hera Trading Srl; Euro 391,264 thousand regarding the supply, transportation and despatching of electricity, as well as gas transportation and storage;
    - Hera Comm Srl; Euro 91,368 thousand, regarding electricity supply and despatching;
    - Herambiente Srl; Euro 80,225 thousand, for guarantees issued by Herambiente on behalf of Public Entities, within the activities related to waste treatment;
    - Sotris Spa; Euro 13,660 thousand, for guarantees issued by Sotris on behalf of the province of Ravenna for the post-closure of landfills;
    - A.S.A. Spa; Euro 2,409 thousand, for guarantees issued by A.S.A. on behalf of the province of Bologna for the post-closure of landfills;
    - Hera Luce Srl; Euro 1,827 thousand, for guarantees issued by A.S.A. on behalf of Consip Spa to assign lightning services for public administration bodies;
    - Medea Spa; Euro 1,500 thousand to guarantee ENI and Butan gas Spa for the supply of LPG gas at the plant of Porto Torres;
    - Hera Comm Mediterranea Srl; Euro 500 thousand for guarantees regarding the supply and electricity despatching;
    - Famula on Line Spa; Euro 119 thousand;

- guarantees to Uniflotte Srl and Acantho Spa for leasing contracts amounting to Euro 2,604 thousand, Medea Spa for VAT reimbursement, equal to Euro 400 thousand, and Hera Comm Srl, for the VAT reimbursement, equal to Euro 537 thousand.

Other unsecured guarantees provided on behalf of associated companies, amounting to Euro 3,666 thousand, down by Euro 5,768 thousand, compared to the previous year, due to the reclassification of guarantees granted by Hera Spa on behalf of the Group companies for corporate transactions occurred over the year.
These guarantees are composed of letter of patronage only, issued on behalf of Set Spa, for Euro 3,666 thousand, to guarantee the gas supply contract signed with Edison Spa.

With regard to the other commitments, we note the following:

	31 Dec.2009	31 Dec.2008	Change
Commitments			
Third party assets used by the Company	1,120,577	1,319,329	-198,752
Other	5,140	879	4,261
Total	**1,125,717**	**1,320,208**	**-194,491**

The **third party assets** used by Hera Spa comprise:

- water and energy cycle assets received under license from the local authorities;
- leased assets of the asset companies relating to the water and energy sectors (gas, electricity and district heating).

The decrease, compared to the previous year, amounting to Euro 198,752 thousand, is due to the termination of lease agreements with Con.Ami and Area Asset Spa; this transaction resulted in the capital increase of Hera Spa due to the transfer of the corresponding gas and district heating networks.

Item **Other**, equal to Euro 5,140 thousand, includes the fifth of salary and small loans to employees, totalling Euro 4,175 thousand, as well as bills sent for collection, amounting to Euro 965 thousand. The increase of Euro 4,261 thousand is due to the incorporation of the territorial operative companies in Hera Spa.

3.03.02 Explanatory notes of related parties

Management of the services

Hera Spa holds concessions of local public services of economic interest (distribution of natural gas via local gas pipelines, integrated water service and waste management services, including sweeping, collection, transport and waste recovery and disposal) in a large amount of its territory of competence and in almost all of the shareholder municipalities (provinces of Modena, Bologna, Ferrara, Forlì-Cesena, Imola-Faenza, Ravenna and Rimini). The electricity distribution service has been carried out in the Imola district, in the municipality of Modena and in the municipalities of the province of Modena acquired from the previous operator (Enel Distribuzione) since 1 July 2006.
Other utilities (district heating systems, heat management and public lighting) are provided under market conditions, i.e. through special agreements with local authorities. Through special agreements with local authorities, Hera Spa is responsible for the waste treatment and disposal service, excluded from the regulatory activity carried out by the environmental authorities (AATO), but subject to control by the Regional Authority for water services and urban waste management.
Regional and national legislation assign the responsibilities for appointment, control and tariff regulation concerning integrated water and urban sanitation services to the AATOs. These responsibilities formerly were managed by the granting municipalities which are, nevertheless, represented at the Shareholders' Meetings of the AATOs. In observance of the provisions of said regional law and related national legislation (specifically article 113 of the Consolidated Local Authority Act and the sector regulations regarding appointing services on an exclusive basis), the Hera Group entered into special agreements with the AATOs, which establish the coming into effect of the technical and tariff planning.
It should be noted that, since 1 January 2009, the transfer to Romagna Acque of a business unit for the management of water production plants in the AATO territories of Forlì-Cesena, Ravenna, Rimini was completed. This transaction was made possible based on art. 14 of regional law no. 25 of 6 July 1999, which establishes that if a company, whose majority shareholders are the local agencies, and that owns collection, primary supply and distribution plants, and is a wholesale supplier of integrated water service of various environmental agencies (AATO), the latter can assume direct management of said plants and networks.

Energy sector

The duration of licenses for the distribution of natural gas via local gas pipelines, initially set for periods ranging between ten and thirty years by the original agreements stipulated with the municipalities, was revised by Italian decree 164/2000 (Letta Decree, implementing Directive 98/30/EC) and by subsequent reforms of the energy market quoted in the part "Regulations" of the report accompanying the financial statements. Hera Spa has longer residual terms than those set out for managing entities that have promoted partial privatisations and mergers. The duration of distribution concessions is unchanged with respect to that foreseen in the company's stock exchange listing.

The agreements associated with the distribution licenses regarding the distribution of natural gas or other similar gases for heating, domestic, handicraft and industry uses, and for other general uses. Gas distribution tariffs are fixed, pursuant to the regulations in force and periodical resolutions on the part of AEEG (for 2009 tariffs were defined by the resolution 159/08). The territory in which Hera carries out the gas distribution services consists of "tariff areas" in which a distribution tariff is uniformly applied to the various categories of customers.

In the case of electricity, the purpose of the concessions (expiration term: 2030) is energy distribution activity, including, amongst other things, management of the distribution networks and operation of connected plants, ordinary and extraordinary maintenance and programming and identification of development initiatives. A suspension or expiry of the concession may be ordered by the authority regulating the sector if the concession holder is found to be inadequate or to be in breach of regulations in force, in such a way as to prejudice provision of the electricity distribution service in a serious and far-reaching manner.

The concession holder is obliged to apply the tariffs set by regulations in force and resolutions adopted by the Italian Authority for Electricity and Natural Gas to the consumers. The tariff regulation in force when the Financial Statements for the year were approved (to which this report is attached) was resolution no. 348/2007 ("Integrated provisions for carrying out electricity transmission, distribution and measurement for the regulatory period 2008-2011 and provisions regarding the economic conditions regulating the provision of the connection service"), which superseded the previous tariff option system and established a single national distribution tariff.

Water sector

Hera Spa manages the integrated water supply service under agreements with the AATOs of varying duration (usually twenty years), for aqueduct services, sewage and purification services. The management of the aqueduct service includes the public services of collection, purifying, distribution and sale of drinking water for civil and industrial use; the sewage and purification services include the management of the networks and sewage and purification plants.
The agreements also provide for execution of new network design and construction activities and the building of new plants to be used in managing the service.
The management of the service is assigned exclusively to Hera for the municipal territory involving the obligation of the Municipality not to grant to third parties usage of the subsoil of its property and of the state aqueducts without the prior consent of the company.

The agreements also regulate other aspects of the relationship, such as forms of service management and reciprocal obligations for the parties, mainly regarding charges for ordinary and extraordinary maintenance works on the networks and plant necessary to service provision. The agreements are accompanied by technical and economic disciplinary measures regulating the service, the compulsory quality and operating standards and the tariff framework. The tariffs, fixed annually (on the basis of economic agreements covering periods of several years) in accordance with law, must be approved by the AATOs.

The local authorities grant rights of use, even free of charge, to the management company for the integrated water service network and systems operations. In the majority of the cases concerning the areas managed by Hera, the local authorities have conferred the ownership of networks and plants to special asset companies.
At the end of the concession, Hera is obliged to return the goods used to provide the service to the asset companies, or to the local authorities. Any works carried out to upgrade or expand the networks must be compensated at the end of concession with the payment of the residual value of the assets in question.
Hera's relations with users are regulated by sector laws and by the provisions set out by the regional councils and environmental agencies. The duties of the operator towards service quality and resources and the users' rights are illustrated in the specific Service Charters proposed by the operator and approved by the Agencies.

Waste management sector

HeraSpa performs the service of municipal waste management. The purpose of agreements with the Environmental Agencies is the exclusive management of municipal waste services (waste collection, waste transport, road cleaning and waste collection).
The duration of the agreements is fixed by the regional regulations as ten years. The agreements regulate aspects of the relationship such as the methods of managing the services as well as reciprocal obligations between the parties. The agreements are accompanied by technical and economic disciplinary measures regulating, in detail, the technical component of services provided and quality standards.
The amount payable to the operator for the services performed is defined annually (on the basis of multiannual economic agreements) in accordance with Italian Presidential Decree No. 158/1999, where the tariff is instituted.
For the running of waste treatment plants, the Hera Group must obtain authorisations from the authorities of the Italian provinces.

Management of the networks, plants and equipment

The infrastructure required for the provision of services, including local gas pipelines and aqueduct and sewage systems, are partly owned by Hera and partly owned by third parties (municipalities, consortia of municipalities, asset companies owned by local authorities). The dealings between the service operators and the owners of the operating assets are disciplined by specific agreements concluded between the parties and by regional laws; the regulation of the economic elements is, in some cases, covered by rental agreements, which fix the fee payable by the operator to the owners for the use of the networks and plants.
Under these contracts, Hera is required to carry out, at its own responsibility and expense, ordinary and extraordinary maintenance works, as well as network extensions, as set out in the investment plan agreed with the asset companies, and in plans drawn up by the AATOs where applicable.

Upon expiry of the contract, Hera SpA will return the business unit and, at the same time, pay the difference between the initial value of the assets on stipulation of the rental contract (equal to the value booked by the asset company, minus accrued depreciation) and the final value, equal to the initial value minus accrued depreciation since the time the lease began, including extraordinary maintenance carried out by Hera on the leased assets, net of the accrued amortisation.

Agreements for the use of infrastructures instrumental to the provision of the service were signed with the asset companies to which the municipal authorities (usually Hera's shareholders) transferred the ownership of the assets. The asset companies benefited, in relation to capital assets, from the spin-off of the business unit made at the same time as the spin-off and merger of former local public service companies in favour of Seabo Spa. These transactions led to the creation of Hera Spa, to which the management business unit was assigned by virtue of the service concessions granted to the newly-established company.
In the case of Con.Ami, the spin-off of the business unit with transfer of the assets to the public consortium company (entirely state-owned) took place before the spin-off and merger date of the former local public service companies into Hera.

The values reported in the table for 2009, item 3.02 Financial Statements, Consob resolution no. 15519 of 27 July 2006, refer to related parties indicated hereunder:

Related parties of subsidiaries:	
A.S.A Spa	Hera Energie Rinnovabili Spa
Acantho Spa	Hera Luce Srl
Acque Srl	Hera Servizi Funerari Srl
Agea Reti Srl	Hera Trading Srl
Akron Spa	Herambiente Srl
Aspes Gas Srl	Herasocrem Spa
Calorpiù Italia Scarl in liquidation	Ingenia Srl in liquidation
Consorzio Akhea	Marche Multiservizi Spa
Consorzio Energia Servizi Bologna in liquidation	Medea Spa
Eris Scrl Energia Risorse Sviluppo	MMS Ecologica Srl
Famula On-line Spa	Nuova Geovis Spa
Frullo Energia Ambiente Srl	Romagna Compost Srl
Gal.A. Spa	Satcom Spa
Hera Comm Marche Srl	Sinergia Srl
Hera Comm Mediterranea Srl	Sotris Spa
Hera Comm Srl	Uniflotte Srl
Hera Energie Bologna Srl	
Related parties with associated companies:	
Aimag Spa	Sei Spa
Consorzio Frullo	Service Imola Srl
Italcic Scarl in liquidation	Set Spa
Oikothen Scarl	Tamarete Energia Srl
Related parties with significant influence:	
Municipality of Bologna	Municipality of Modena

Other related parties:	
Acosea Impianti Srl	Maranello Patrimonio Srl
Adriatica Acque Srl	Megas Net Spa
Amir - asset	Modena Network Spa
Area - asset	Natura Srl
Aspes Spa	Refri Srl
Azimut Spa	Romagna Acque Spa
Calenia Energia Spa	Sassuolo Gestioni Patrimoniali Srl
Con.Ami	Serramazzoni Patrimonio Srl
Dyna Green Srl	Sgr Servizi Spa
Energia italiana Spa	So.Sel Spa
Estense Global Service Soc.Cons. a rl	Società Intercomunale di Servizi Spa - SIS Spa
Feronia Srl	Società Italiana Servizi Spa - SIS Spa Asset
Fiorano Gestioni Patrimoniali Srl	Team - asset
Flameenergy Gmbh	Unica Reti - asset
Formigine Patrimonio Srl	Winmaxer Spa
Galsi Spa	

Related parties with third parties:	
Acef Srl	Eticredito – Banca Etica Adriatica Spa
Bonifica e Ambiente in liquidazione	Fondazione Flaminia
Consorzio Ferrara Ricerche	Isgas Energit Multiutilities Soc.Cons.a rl
Consorzio Italiano Compostatori	Modena Formazione Srl
Consorzio Polieco	Prog.Este Spa
Consorzio Sviluppoenergia 1	Torricelli Srl
Consorzio Sviluppoenergia 2	Valdisieve Cons.a rl
Democenter Scarl	

The values shown in the table for 2008, item 3.02 Financial Statements, Consob resolution no. 15519 of 27 July 2006, refer to the related parties hereunder:

Related parties - subsidiaries:	
Akron Spa	Hera Modena Srl
Asa Spa	Hera Ravenna Srl
Ecologia Ambiente Srl	Hera Rete Modena Srl
Ecosfera Spa	Hera Rimini Srl
Famula On-line Spa	Hera Servizi Funerari Srl
Frullo Energia Ambiente Srl	Hera Trading Srl
Gal.A. Spa	Herasocrem Spa
Gas Tecnica Galliera Srl	Ingenia Srl
Hera Bologna Srl	Marche Multiservizi Spa former Aspes Multiservizi Spa
Hera Comm Srl	Medea Spa
Hera Energie Rinnovabili Spa	Nuova Geovis Spa
Hera Ferrara Srl	Recupera Srl
Hera Forlì-Cesena Srl	Romagna Compost Srl
Hera Imola-Faenza Srl	Sotris Spa
Hera Luce Srl	Uniflotte Srl
Related parties - associated companies:	
Acantho Spa	Pri.Ge.A.S. Srl
Agea Reti Srl	Refri Srl
Agess Scarl	Satcom Spa
Consorzio Frullo	Sei Spa
Feronia Srl	Service Imola Srl (AMI)
Italcic Scarl	Set Spa
Modena Network Spa	So.Sel Spa
Oikothen Scarl	Tamarete Energia Srl
Related parties with significant influence:	
Municipality of Bologna	Municipality of Modena

Other related parties:	
Acosea Impianti Srl	Formigine Patrimonio Srl
Acque Srl	Galsi Spa
Adriatica Acque Srl	Hera Comm Marche ex Megastrade Srl
Amf - asset	Hera Comm Mediterranea Srl
Amir - asset	Hera Energie Bologna Srl
Area - asset	Maranello Patrimonio Srl
Aspes Gas Srl	Natura Srl
Aspes Spa	Romagna Acque Spa
Calenia Energia Spa	Sassuolo Gestioni Patrimoniali Srl
Calorpiù Italia Scarl	Sat Patrimonio Srl
Con.Ami	Serramazzoni Patrimonio Srl
Consorzio Energia Servizi Bologna	Sgr Servizi Spa
Dyna Green Srl	Sinergia Srl
Energia Italiana Spa	Società Intercomunale di Servizi Spa - SIS Spa
Eris Scarl Enerie Risorse Sviluppo	Società Italiana Servizi Spa - SIS Spa Asset
Estense Global Service Scarl	Team - asset
Fiorano Gestioni Patrimoniali Srl	Unica reti - asset
Flameenergy Gmbh	Winmaxer Spa

Related parties - third parties:	
Acef Srl	Consorzio Sviluppoenergia 2
Ambiente Mare Spa	Democenter scarl
Bonifica e Ambiente in liquidazione	Eticredito – Banca Etica Adriatica Spa
Centuria Rit – Romagna Innovazione Tecnologia Soc.Cons.a rl	Fondazione Flaminia
Consenergy 2000	Isgas Energit Multiutilities Soc.Cons.a rl
Consorzio Ferrara Ricerche	Modena Formazione Srl
Consorzio Italiano Compostatori	Prog.Este Spa
Consorzio Polieco	Torricelli Srl
Consorzio Sviluppoenergia 1	Valdisieve Cons.rl

Remuneration paid to Directors, Statutory Auditors and Executives with strategic responsibilities

As set forth in art. 78 of the CONSOB Resolution no. 11971 of 14 May 1999 containing the provisions for implementation of the Italian Legislative Decree no. 58 of 24 February 1998, information on the remuneration paid in the year to the directors, statutory auditors and executives with strategic responsibilities of Hera SpA and its subsidiaries is provided below. Remuneration means the emolument paid for the office held, even for a fraction of a year, any other non-monetary benefits, bonuses and incentives, including those assigned by subsidiaries of Hera Spa. The amounts are in Euro.

Board of Directors

Name and surname	Office held	Period in which the office was held	Expiration term	Remuneration for the office held	Non-monetary benefits	Bonus and other incentives	Other remunerations
Tomaso Tommasi di Vignano	Chairman	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	350,000	5,207	72,105	
Maurizio Chiarini	Managing Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	125,000	13,264	73,730	229,915
Giorgio Razzoli	Vice-Chairman	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	120,000	3,850		
Mara Bernardini	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	100,000	402		
Filippo Brandolini	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	100,000	410		
Luigi Castagna	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	100,000	1,190		
Mauro Cavallini	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	75,000	567		
Piero Collina	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	75,000	2,807		
Pier Giuseppe Dolcini	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	75,000	-		
Ferruccio Giovanelli	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	75,000	782		
Lanfranco Maggioli	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	75,000	768		
Alberto Marri	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	75,000	768		
Nicodemo Montanari	Director	01.01.2009 - 19.07.2009	Resigning since 19.07.2009	55,108	1,428		
Roberto Sacchetti	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	100,000	5,786		
Luciano Sita	Director	01.01.2009 - 06.07.2009	Resigning since 06.07.2009	38,710	1,023		
Francesco Sutti	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	75,000	1,509		
Bruno Tani	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	75,000	1,045		
Stefano Zolea	Director	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	100,000	547		
Daniele Montroni	Director	20.07.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	33,669	302		
Paolo Trombetti	Director	05.10.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	15,365	335		
				1,837,852	**41,990**	**145,835**	**229,915**

The remuneration indicated can also include other offices held in Group companies

Board of Statutory Auditors

Name and surname	Office held	Period in which the office was held	Expiration term	Remuneration for the office held	Non-monetary benefits	Bonus and other incentives	Other remunerations
Sergio Santi	Chairman	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	122,268	1,626		
Antonio Venturini	Standing Auditor	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	83,200			
Fernando Lolli	Standing Auditor	01.01.2009 - 31.12.2009	Approval of Fin.Statements as at 31.12.2010	82,269	1,823		
				287,737	**3,449**		

With regards to the Executives with strategic functions (Management Committee), the total gross annual salary paid during 2009 amount to Euro 2,274,768 while non-monetary benefits amount to Euro 86,186.

3.04. Net financial indebtedness

3.04.01 Net financial indebtedness of Hera Spa

In accordance with the requirement under Consob notification of 28 July 2006 and in compliance with the CERS recommendation of 10 February 2005 "*Recommendations for the standard implementation of European Commission rules on information prospectuses*" we note that the net financial position is as follows:

Net Financial Indebtedness	31-Dec-09	31-Dec-08
(millions of €)		
Cash	**282.0**	**117.1**
Other current financial receivables	**135.9**	**3.1**
Current bank liabilities	-10.1	-104.3
Current portion of non-current bank indebtedness	-20.8	-69.6
Other current financial payables	-73.4	-8.1
Financial leasing payables maturing within the next year	-2.7	-2.7
Current financial indebtedness	**-107.0**	**-184.7**
Net current financial indebtedness	**310.8**	**-64.5**
Non-current financial receivables	13.0	15.6
Non-current bank liabilities (long-term loan portion)	0.4	-292.5
Bonds issued	-1,631.5	-999.7
Other non-current financial payables	-119.7	-120.0
Financial leasing payables maturing beyond the next year	-2.9	-5.3
Non-current financial indebtedness	**-1,753.7**	**-1,417.5**
Net non-current financial indebtedness	**-1,740.7**	**-1,401.9**
Net financial indebtedness	**-1,429.9**	**-1,466.4**

3.04.02 Net financial indebtedness with related parties, pursuant to Consob resolution 15519/2006

Net financial indebtedness	31 Dec 2009	of which related parties					
		A	B	C	D	Total	%
(millions of €)							
Cash	**282.0**					-	
Other current financial receivables	**135.9**	**123.4**	**12.5**			**135.9**	100.00%
Current bank liabilities	-10.1					-	
Current portion of non-current bank indebtedness	-20.8					-	
Other current financial payables	-73.4	-70.1				-70.1	95.50%
Financial leasing payables maturing within the next year	-2.7					-	
Current financial indebtedness	**-107.0**	**-70.1**	**-**	**-**	**-**	**-70.1**	
Net current financial indebtedness	**310.8**	**53.3**	**12.5**	**-**	**-**	**65.8**	
Non-current financial receivables	13.0	2.9	9.1		1.0	**13.0**	100.00%
Non-current bank liabilities (long-term loan portion)	0.4					-	
Bonds issued	-1,631.50					-	
Other non-current financial payables	-119.7					-	
Financial leasing payables maturing beyond the next year	-2.9					-	
Non-current financial indebtedness	**-1,753.7**	**-**	**-**	**-**	**-**	**-**	
Net non-current financial indebtedness	**-1,740.7**	**2.9**	**9.1**	**-**	**1.0**	**13.0**	
Net financial indebtedness	**-1,429.9**	**56.2**	**21.6**	**-**	**1.00**	**78.8**	

Net financial indebtedness	31 Dec 2008	of which related parties					
		A	B	C	D	Total	%
(millions of €)							
Cash	**117.1**					-	
Other current financial receivables	**3.1**	**2.9**	**0.1**			**3.0**	96.77%
Current bank liabilities	-104.3					-	
Current portion of non-current bank indebtedness	-69.6					-	
Other current financial payables	-8.1	-4.2				-4.2	51.85%
Financial leasing payables maturing within the next year	-2.7					-	
Current financial indebtedness	**-184.7**	**-4.2**	**-**	**-**	**-**	**-4.2**	
Net current financial indebtedness	**-64.5**	**-1.3**	**0.1**	**-**	**-**	**-1.2**	
Non-current financial receivables	15.6	7.1	8.5			**15.6**	100.00%
Non-current bank liabilities (long-term loan portion)	-292.5					-	
Bonds issued	-999.7					-	
Other non-current financial payables	-120.0					-	
Financial leasing payables maturing beyond the next year	-5.3					-	
Non-current financial indebtedness	**-1,417.5**	**-**	**-**	**-**	**-**	**-**	
Net non-current financial indebtedness	**-1,401.9**	**7.1**	**8.5**	**-**	**-**	**15.6**	
Net financial indebtedness	**-1,466.4**	**5.8**	**8.6**	**-**	**-**	**14.4**	

Key of headings of related parties columns:

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

3.05 Statement of equity investments

€/000	Share capital	Sh.Equity, net of 2009 profit	2009 profit/loss	Total Shareholders'Equity	% held	Pertaining Shareholders'Equity	Balance sheet value as at 31 12 2009	Differences compared to Shareholders' Equity
Subsidiaries								
Acantho Spa	17,376	16,398	2,659	19,057	62	11,898	11,027	872
Agea Reti Srl	19,000	19,048	196	19,244	100	19,244	22,391	-3,147
Famula On Line Spa	4,364	12,280	502	12,782	100	12,782	11,221	1,561
Herambiente Srl	271,148	301,048	16,239	317,287	100	317,287	301,543	15,744
Hera Comm Srl	53,137	53,530	4,293	57,823	100	57,823	88,978	-31,155
Hera Energie Rinnovabili Spa	1,832	1,808	-29	1,779	100	1,779	2,417	-638
Hera Luce Srl	264	5,933	3,275	9,208	90	8,249	8,864	-616
Hera Servizi Funerari Srl	10	12	262	274	100	274	10	264
Herasocrem Spa	2,218	2,043	-273	1,770	51	903	1,131	-229
Hera Trading Srl	22,600	23,320	9,781	33,101	100	33,101	22,711	10,390
Ingenia Srl in liquidation	52	62	-40	22	74	16	63	-47
Marche Multiservizi Spa	13,450	19,796	1,299	21,095	41	8,649	34,538	-25,890
Medea Spa	4,500	3,001	56	3,057	100	3,057	11,988	-8,931
Satcom Spa	2,000	2,594	2,476	5,070	63	3,194	2,382	812
Sotris Spa	2,340	6,009	648	6,657	5	333	640	-307
Uniflotte Srl	2,254	2,602	99	2,701	97	2,620	3,567	-947
Total subsidiaries	**416,545**	**469,484**	**41,443**	**510,927**		**481,209**	**523,470**	
Associated companies								
Aimag Spa (*)	67,578	113,273	5,327	118,600	25	29,650	35,030	-5,380
Consorzio Frullo (*)	1	3	-1	2	50	1	2	-1
Italcic Scarl in liquidation (*)	90	69	-50	19	33	6	40	-34
Oikothen Scarl	1,102	640	-152	488	46	225	383	-158
Sei Spa	120	1,015	-328	687	20	137	702	-564
Service Imola Srl	10	39	259	298	40	119	4	115
Set Spa	120	58,288	1,716	60,004	39	23,402	31,748	-8,347
Tamarete Energia Srl	3,600	13,531	-735	12,796	32	4,095	4,363	-268
Total associated companies	**905,711**			**1,214,748**		**1,020,053**	**72,272**	

* *Data on share capital, shareholders' equity and profit/loss on the last financial statements available*

3.06 Art. 149 duodecies of the Issuers' Regulations

	2009
Services provided to certify the financial statements	473
Other services provided in issuing certification (unbundling)	62
Others services provided	147
Total	682

3.07 Declaration for the financial statements in accordance with Art. 154 bis of Italian Legislative Decree 58/98

1 – We the undersigned: Maurizio Chiarini, Managing Director, and Dario Farina, Manager in Charge of the preparation of the corporate accounting statements of Hera Spa, hereby declare, in accordance with article 154 bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, that:

- the adequacy with reference to the nature of the company and
- the actual application

of the administrative and accounting procedures for the preparation of the Financial Statements over 2009.

2 – We further declare that:

2.1 – the financial statements:
a. were prepared in compliance with the applicable International Accounting Principles recognised by the European Community pursuant to Regulation no. 1606/2002 (EC) of the European Parliament and the Council of 19 July 2002;
b. are consistent with the data contained in the accounting books and entries;
c. provide a truthful and accurate representation of the balance sheet and income statement of the issuer and of the issuer.

2.2 – The Directors' Report includes a reliable analysis of the trend and of the operating profit, and of the situation of the issuer, together with the description of the major risks and uncertainties to which it is exposed.

The Managing Director
Maurizio Chiarini

The Manager in Charge
Dario Farina

29 March 2010

3.08 Report by the Board of Statutory Auditors and Independent Audit Report

3.08.01 Independent Audit Report

PRICEWATERHOUSECOOPERS

HERA SPA

FINANCIAL STATEMENTS AS OF
31 DECEMBER 2009

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998 (NOW ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 DATED 27 JANUARY 2010)

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998 (NOW ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 DATED 27 JANUARY 2010)

To the Shareholders of
Hera SpA

1 We have audited the financial statements of Hera SpA (hereinafter the "Company") as of 31 December 2009, which comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the related explanatory notes. The directors of Hera SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

The audit of the financial statements at 31 December 2009 was conducted in accordance with the legislation in force during the year then ended.

For the opinion on the financial statements of the prior year, the amounts of which are presented for comparative purposes and have been reclassified to reflect the changes to the financial statement presentation introduced by IAS 1, reference should be made to our report dated 10 April 2009.

3 In our opinion, the financial statements of the Hera SpA as of 31 December 2009 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, the

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: Bari 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – Bologna Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – Brescia 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – Firenze 50121 Viale Gramsci 15 Tel. 0552482811 – Genova 16121 Piazza Dante 7 Tel. 01029041 – Napoli 80121 Piazza dei Martiri 58 Tel. 08136181 – Padova 35138 Via Vicenza 4 Tel. 049873481 – Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 – Parma 43100 Viale Tanara 20/A Tel. 0521242848 – Roma 00154 Largo Fochetti 29 Tel. 06570251 – Torino 10129 Corso Montevecchio 37 Tel. 011556771 – Trento 38122 Via Grazioli 73 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 – Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 – Verona 37122 Corso Porta Nuova 125 Tel.0458002561

PRICEWATERHOUSECOOPERS

results of operations and the cash flows of Hera SpA for the year then ended.

4 During the financial year 2009 the Company put in place significant extraordinary operations with other Group companies. The main effects of these transactions on the financial statements of Hera SpA are reported in the explanatory notes, in paragraph "Corporate transactions occurred during the 2009 financial year" especially in points "Mergers", "Transfers of business units" and "Spin- offs" therein.

5 The directors of Hera SpA are responsible for the preparation of the report on operations in accordance with applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and shareholder structure limited to the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998 included in the specific section of the report on operations are consistent with the financial statements of the Hera Group as of 31 December 2009.

Bologna, 13 April 2010

PricewaterhouseCoopers SpA

Signed by

Edoardo Orlandoni
(Partner)

This report has been translated from the original version, which was issued in accordance with Italian legislation into the English language solely for the convenience of International readers. We have not examined the translation of the financial statements referred to in this report.

(2)

3.08.02 Report by the Board of Statutory Auditors

Company's Reg. no. 04245520376

HERA S.P.A.

Report by the Board of Statutory Auditors to the Shareholders' Meeting, pursuant to Art. 2429 of the Italian Civil Code

To the Shareholders of HERA S.P.A.

During the year ended as at 31 December 2009, we have carried out the supervisory activities envisaged by law. In detail, the Board of Statutory Auditors pursuant to the matters laid down by Article Art. 2429 of the Italian Civil Code, Art. 153 of the Legislative Decree 58/1998 and in compliance with the Consob communication DEM/6037577 of 28 April 2006, reports on and indicates the following:

The Company granted the appointment to audit the account as per Articles 155 *et seq*. of Italian Legislative Decree No. 58/1998, to the independent auditing firm PriceWaterhouseCoopers S.p.A. as enrolled in the register established with the Ministry of Justice.

By means of obtaining information from the heads of the respective divisions, from the examination of the documentation forwarded to us and from an examination of the audit book, we acquired awareness of and oversaw – in as far as it was our responsibility – the adequacy of the Company's organizational structure, the internal audit system, the administrative-accounting system and its reliability to correctly represent the operating events.

During the year, we took part in 12 Director's Board Meetings and 20 meetings of the Board of Statutory Auditors, as well as 2 shareholders' meetings and, in observance of the Articles of Association provisions, we were periodically informed by the directors on the performance of the corporate operations. In detail, the transactions of greatest economic, financial and operational importance carried out by the Company during the year, in observance of the law and the memorandum of association, were as follows:

- Hera Rete Modena Srl: with effect as at 15 July 2009 and retroactive accounting and tax effects as at 1 January 2009, the merger by incorporation of Hera Rete Modena Srl within Hera Spa was finalized. This transaction entailed no change in Hera Spa's share capital as the share capital of Hera Rete Modena Srl is entirely held by Hera Spa.

- Gastecnica Galliera Srl: with effect as at 15 July 2009 and retroactive accounting and tax effects as at 1 January 2009, the merger by incorporation of Gastecnica Galliera Srl. This transaction entailed no change in Hera Spa's share capital as the share capital of Gastecnica Srl is entirely held by Hera Spa.

- Pri.Ge.a.s. Srl: on 8 May 2009 Hera Spa acquired from the Municipality of Prignano sulla Secchia 51% of the share capital of Pri.Ge.a.s. Srl, a company operating in the field of gas distribution and management of the entire cycle of energy resources, primarily in the territory of the Municipality of Prignano sulla Secchia, and therefore became the sole shareholder of the company. Subsequently, with effect as at 31 December 2009, and retroactive accounting and tax effects as at 1 January 2009, the merger by incorporation of Pri.Ge.a.s. Srl in Hera Spa was finalized. By effect of this transaction, Hera did not change its share capital. The figures deriving from the transaction are irrelevant and were recorded based on IFRS 3.

- Herambiente Srl: starting from 1 July 2009, together with the merger of Recupera Srl in the already constituted Ecologia Ambiente Srl, the transfer of the business unit in the latter, by the sole shareholder Hera Spa, was finalized. This business unit includes assets and equity investments owned by the "waste management area" of Hera Spa, including the equity investments held in Asa Spa, Feronia Srl, Frullo Energia Ambiente Srl, GAL.A Spa, Nuova Geovis Spa, Refri Srl, Romagna Compost Srl and Sotris Spa. Due to these transactions, the share capital of Ecologia Ambiente Srl increased from Euro 23,780 thousand to Euro 271,148 thousand. The company also changed its corporate name in Herambiente Srl.

- Hera Energie Rinnovabili Spa: with effect as at 1 January 2009, the transfer of two business units into Hera Energie Rinnovabili Spa was finalized by Hera Spa. These business units are related to the production of electricity from renewable sources. By effect of this transaction, the share capital of Hera Energie Rinnovabili Spa increased from Euro 120 thousand to Euro 1,832 thousand.

- Con.Ami, Area Asset, Comune di Ferrara and Holding Ferrara Servizi Srl: Hera Spa's shareholders' meeting held on 21 October 2009 resolved a share capital increase of Euro 82,276,052, from Euro 1,032,737,702 to Euro 1,115,013,754, through the issue of 82,276,052 new ordinary shares reserved to shareholders: Municipality of Ferrara, Holding Ferrara Servizi Spa, Con.Ami and Area Asset Spa. The share capital was paid up by these shareholders through conferral in kind of the equity investment in Agea Reti Srl, as for the portion held by the Municipality of Ferrara and the Holding Ferrara Servizi Srl, of the business unit related to the gas distribution networks held by Area Asset and the business units related to the gas distribution and district heating networks held by Con.Ami, networks already leased by the company. This transaction will be legally effective starting on 1 December 2009. Except for the transfer of Agea Reti, the transaction was accounted for according to provisions set out by IFRS 3.

- Territorial Operating Companies: with effect on 31 December 2009, and retroactive accounting and tax effects as at 1 January 2009, the total demerger of the seven Territorial Operating Companies, entirely held by Hera Spa, was concluded. In detail, these companies are Hera Bologna Srl, Hera Ferrara Srl, Hera Forlì-Cesena Srl, Hera Imola-Faenza Srl, Hera Modena Srl, Hera Ravenna Srl and Hera Rimini Srl, with assignment of the entire capital in favour of the benefiting companies Hera Spa, as regards the "operative management" business units, and Hera Comm Srl, as regards the "customer management" business units. This transaction, which led to the cancellation of the Territorial Operating Companies, did not involve any change in the share capital of Hera Spa and Hera Comm Srl.

The Company complies with the Code of Best Practice drawn up by the Committee for the corporate governance of listed companies; the Board of Directors has resolved the assimilation of the recommendations made by the Code of Best Practice for listed companies. With regard to the Board of Statutory Auditors, note that the functions concern: (i) the task of overseeing the independence of the auditing firm, (ii) the faculty to request the Audit division for the performance of checks, (iii) the prompt exchange of information with the Internal Audit Committee on significant information and (iv) the checking of the correct application of the standards and assessment procedures adopted by the Board of Directors in order to evaluate the independence of its members and the evaluation of the independence of its members on the basis of the criteria used for the Directors. In the latter connection, the Statutory Auditors checked the existence of the independence requisites in relation to the non-executive Directors.

The Board of Statutory Auditors did not come across any atypical and/or unusual transactions, including those carried out with related parties or infragroup.

On 13 April 2010, the independent auditing firm issued its report pursuant to Article 156 of Italian Legislative Decree No. 58/198, in which it certified that the financial statements as at 31 December 2009 provide a true and fair view of the equity and financial situation and the economic result of the Company. The independent auditing firm also issued the reports on the audit of all the subsidiary companies without findings, also certifying that the 2009 financial statements are compliant with the rules which discipline the basis of presentation and provide a true and fair view of the equity and financial situation and the economic result of the companies.

With reference to the Italian Legislative Decree no. 231 of 8 June 2001, the Company adopted an organization and managing model, the contents of which are consistent with the Company's structure.

No petitions have been received by the Board of Statutory Auditors.

During the year ended 31 December 2009, Hera did not grant the independent auditing firm any appointments other than the accounts audit activities as per the law.

During the year, the Board of Statutory Auditors issued, on 27 August 2009, its favourable opinion to the appointment of the manager in charge of the drawing up of the corporate accounting documents.

By means of direct checks and information gathered from the independent auditing firm, the Board of Statutory Auditors ascertained the observance of the legal norms pertaining to the formation and layout of the financial statements of the Company and the report on operations accompanying the same. Furthermore, the Board of Statutory Auditors examined the accounting standards adopted for the formation of the financial statements, presented so as to ascertain compliance with the legal regulations and the economic-corporate conditions.

The Board of Statutory Auditors confirms that the directors, when drawing up the financial statements, did not depart from the legal provisions as per Article 2423.4, of the Italian Civil Code.

During the year ended 31 December 2009, we held periodic meetings with the members of the independent auditing firm, as per Article 150.3 of Italian Legislative Decree No. 58/98, and no significant data or information emerged which would merit mention in this report.

The supervisory and audit activities did not reveal any significant events liable of being reported or mentioned in this report.

In light of the above, the Board of Statutory Auditors does not have any reason for preventing approval of the financial statements as at 31 December 2009, nor has it any objections to make with regard to the resolved proposal presented by the Board of Directors for the allocation of the result for the year.

Bologna, 13 April 2010

The Board of Statutory Auditors

Chairman of the Board of Statutory Auditors Sergio Santi

Standing Auditor Antonio Venturini

Standing Auditor Fernando Lolli

Elenco incarichi ricoperti dal dott. Fernando Lolli ex art. 144-*quinquesdecies* del Regolamento Emittenti Consob

Società	Incarico ricoperto	Scadenza dell'incarico	Incarichi in Emittenti
HERA Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2010	X
HERA COMM Srl	Presidente	Approvazione Bilancio 31/12/2010	
HERA ENERGIE RINNOVABILI Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2010	
HERA TRADING Srl	Sindaco Effettivo	Approvazione Bilancio 31/12/2009	
GAL. A Spa	Presidente	Approvazione Bilancio 31/12/2010	
HERASOCREM Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2011	
HERA ENERGIE BOLOGNA Srl	Presidente	Approvazione Bilancio 31/12/2010	
HERA COMM MARCHE Srl	Sindaco Effettivo	Approvazione Bilancio 31/12/2012	
FAMULA ON LINE Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2009	
FRULLO ENERGIA AMBIENTE Srl	Sindaco Effettivo	Approvazione Bilancio 31/12/2011	
FERONIA Srl	Presidente	Approvazione Bilancio 31/12/2009	
ASA Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2010	
NUOVA GEOVIS Spa	Presidente	Approvazione Bilancio 31/12/2012	
MARCHE MULTISERVIZI Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2010	
SATCOM Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2009	
MODENA NETWORK Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2009	
AGEA RETI Srl	Sindaco Effettivo	Approvazione Bilancio 31/12/2010	
S.I.S. Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2011	
A.T.C. Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2011	
TASS Scarl	Sindaco Effettivo	Approvazione Bilancio 31/12/2010	

numero di incarichi complessivamente ricoperti: **20**

Bologna, 13 aprile 2010

dott. Fernando Lolli

Key: Elenco incarichi : List of offices held by Mr. Fernando Lolli, pursuant to art. 144-quinquesdeciesof the Consob Issuers' Regulations
Società: Company
Incarico ricoperto: Office held
Scadenza dell'incarico:Expiration of the office
Incarichi in emittenti: Offices in Issuers
Approvazione bilancio al: Approval of the financial statements as at
Sindaco Effettivo: Standing Auditor
Presidente: Chairman
No: total number of offices held: 20
Bologna, 13 April 2010

Elenco incarichi ricoperti dall'ing. Sergio Santi ex art. 144-*quinquesdecies* del Regolamento Emittenti Consob

Società	Incarico ricoperto	Scadenza dell'incarico	Incarichi in Emittenti
HERA Spa	Presidente Collegio Sindacale	Approvazione Bilancio 31/12/2010	X
WIMAXER Spa	Presidente Collegio Sindacale	Approvazione Bilancio 31/12/2010	
HERA COMM Srl	Sindaco Effettivo	Approvazione Bilancio 31/12/2010	
HERA ENERGIE RINNOVABILI Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2010	
HERA TRADING Srl	Sindaco Effettivo	Approvazione Bilancio 31/12/2009	
FAMULA ON LINE Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2009	
MODENA NETWORK Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2009	
HERAMBIENTE Srl	Sindaco Effettivo	Approvazione Bilancio 31/12/2009	
HERA LUCE Srl	Sindaco Effettivo	Approvazione Bilancio 31/12/2009	
SET Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2009	
UNIFLOTTE Srl	Sindaco Effettivo	Approvazione Bilancio 31/12/2009	
AKRON Spa	Sindaco Effettivo	Approvazione Bilancio 31/12/2012	
FONDAZIONE CASSA DI RISPARMIO DI IMOLA	Presidente C.d.A.	31/05/2011	
AMGC Spa	Consigliere di Amministrazione	Approvazione Bilancio 31/12/2009	
IGD SIIQ Spa	Consigliere di Amministrazione	Approvazione Bilancio 31/12/2011	X

numero di incarichi complessivamente ricoperti: 15

Bologna, 13 aprile 2010

Ing. Sergio Santi

Key: Elenco incarichi : List of offices held by Mr. Sergio Santi, pursuant to art. 144-quinquesdeciesof the Consob Issuers' Regulations
Società: Company
Incarico ricoperto: Office held
Scadenza dell'incarico:Expiration of the office
Incarichi in emittenti: Offices in Issuers
Approvazione bilancio al: Approval of the financial statements as at
Sindaco Effettivo: Standing Auditor
Presidente: Chairman of the Board of Statutory Auditors
Presidente CdA: Chairman of the Bard of Directors
Amministratore: Director
No: total number of offices held: 15 Bologna, 13 April 2010

ELENCO CARICHE DOTT. ANTONIO VENTURINI

DENOMINAZIONE SOCIETA'	TIPOLOGIA INCARICO	SCADENZA INCARICO	INCARICHI IN EMITTENTI
AKRON SPA - GRUPPO HERA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2009	
AZIENDA AGRICOLA CA' BOSCO SRL	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2010	
CALENIA ENERGIA SPA - GRUPPO HERA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 30/09/2010	
ERIS SOC. CONS. A R.L. - GRUPPO HERA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2009	
FAMULA ON-LINE SPA - GRUPPO HERA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2009	
HERAMBIENTE SRL - GRUPPO HERA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2009	
HERA COMM MEDITERRANEA SRL	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2010	
HERA ENERGIE RINNOVABILI SPA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2010	
HERA SPA	SINDACO EFFETTIVO	APPR.NE BILANCIO AL 31/12/2010	X
HERA TRADING SRL	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2009	
MEDEA SPA - GRUPPO HERA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2009	
NECOSHIP ITALIA SPA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2010	
OIKOTHEN SCARL - GRUPPO HERA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2009	
PORTO INTERMODALE RAVENNA SPA - SAPIR	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2010	
PROGETTO SANITA' RAVENNA SRL	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2011	
ROMAGNA COMPOST SRL - GRUPPO HERA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2011	
SINERGIA SRL - GRUPPO HERA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2010	
TAMARETE ENERGIA SRL - GRUPPO HERA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2010	
UNIFLOTTE SRL - GRUPPO HERA	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2009	
ZAFFAGNINI SRL	PRESIDENTE COLLEGIO SINDACALE	APPR.NE BILANCIO AL 31/12/2011	
ALBATROS SOC. CONS.ARL	SINDACO EFFETTIVO	3 ESERCIZI DAL 12/12/2007	
ALFIERE SPA	SINDACO EFFETTIVO	3 ESERCIZI DAL 30/12/2008	
AMBIENTE MARE S.P.A. - GRUPPO HERA	SINDACO EFFETTIVO	APPR.NE BILANCIO AL 31/12/2011	
COSMI HOLDING SPA	SINDACO EFFETTIVO	APPR.NE BILANCIO AL 31/12/2011	
GALSI SPA - GRUPPO HERA	SINDACO EFFETTIVO	APPR.NE BILANCIO AL 31/12/2011	
HERA COMM SRL	SINDACO EFFETTIVO	APPR.NE BILANCIO AL 31/12/2010	
SEI SPA - GRUPPO HERA	SINDACO EFFETTIVO	APPR.NE BILANCIO AL 31/12/2011	
SGR SERVIZI S.P.A. - GRUPPO HERA	SINDACO EFFETTIVO	APPR.NE BILANCIO AL 31/12/2010	
SOTRIS S.P.A. - GRUPPO HERA	SINDACO EFFETTIVO	3 ESERCIZI DAL 23/03/2007	
RAVENNA CALCIO SRL	SINDACO EFFETTIVO	APPR.NE BILANCIO AL 30/06/2012	
REFRI SRL - GRUPPO HERA	SINDACO EFFETTIVO	3 ESERCIZI DAL 18/09/2007	
TIRRENO POWER SPA - GRUPPO HERA	SINDACO EFFETTIVO	APPR.NE BILANCIO AL 31/12/2010	

TOTALE INCARICI RICOPERTI N. 32

Key: Elenco incarichi : List of offices held by Mr. Antonio Venturi
Società: Company
Tipologia incarico: Office held
Scadenza dell'incarico:Expiration of the office
Incarichi in emittenti: Offices in Issuers
Approvazione bilancio al: Approval of the financial statements as at
Tre esercizi : Three years from
Sindaco Effettivo: Standing Auditor
Presidente: Chairman of the Board of Statutory Auditors
No: total number of offices held: 32

HERA S.p.A.
Holding Energia Risorse Ambiente
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