2012 consolidated quarterly report as at 30 September

DIECIANNI DOVE SE/CI SIAMO.

GRUPPO HERA

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introduction

Mission

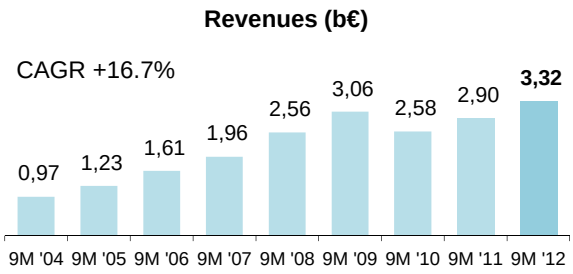
Hera's goal is to be the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates, while respecting the environment.

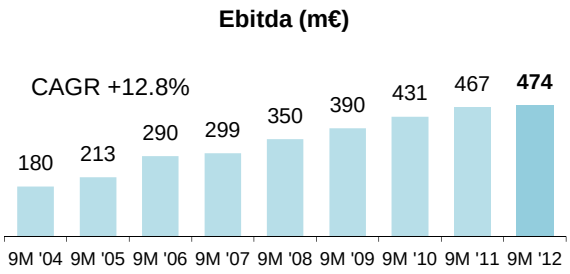
*"For Hera, being the best means inspiring the pride and trust of: **customers**, who, thanks to Hera's responsiveness to their needs, receive quality services that satisfy their expectations; **the women and men who work at Hera**, whose skills, engagement and passion are the foundation of the company's 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".*

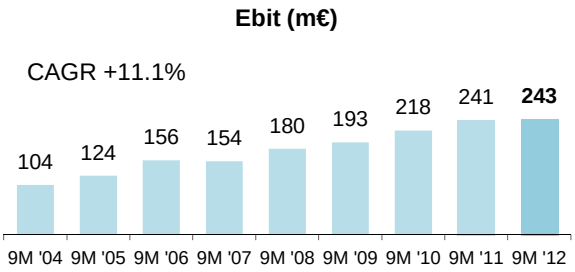
Management and control bodies

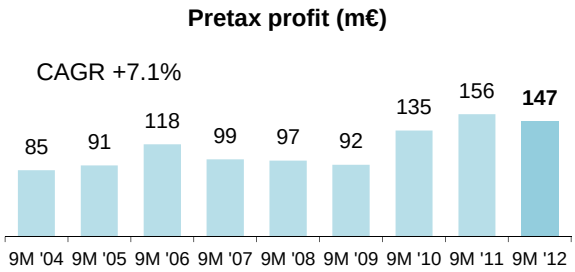
Board of Directors	
Chairman	Tomaso Tommasi di Vignano
Vice chairman	Giorgio Razzoli
CEO	Maurizio Chiarini
Director	Mara Bernardini
Director	Filippo Brandolini
Director	Marco Cammelli
Director	Luigi Castagna
Director	Pier Giuseppe Dolcini
Director	Valeriano Fantini
Director	Enrico Giovannetti
Director	Fabio Giuliani
Director	Luca Mandrioli
Director	Daniele Montroni
Director	Mauro Roda
Director	Roberto Sacchetti
Director	Rossella Saoncella
Director	Bruno Tani
Director	Giancarlo Tonelli
Board of Statutory Auditors	
Chairman	Sergio Santi
Standing auditor	Antonio Venturini
Standing auditor	Elis Dall'Olio
Internal Control Committee	
Chairman	Giorgio Razzoli
Member	Fabio Giuliani
Member	Luca Mandrioli
Member	Rossella Saoncella
Remuneration Committee	
Chairman	Giorgio Razzoli
Member	Marco Cammelli
Member	Daniele Montroni
Member	Bruno Tani
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 Auditors	
	PricewaterhouseCoopers

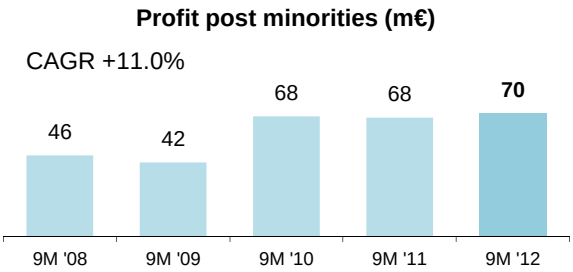
Key financial information

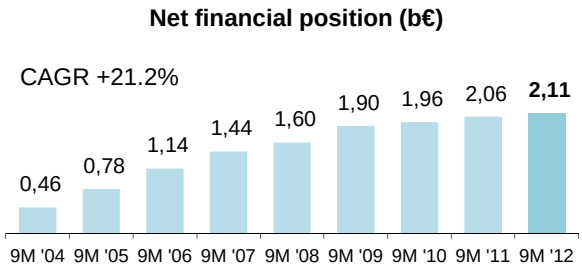












Introduction

In the first nine months of 2012, Hera Group displayed ***positive growth in operating results and profit attributable to shareholders***, in spite of the fact that the country's macroeconomic situation remains affected by the prolonged international crisis.

The improved methane supply contract for the 2011-2012 thermal year enabled Hera to capitalise on excess supply in the commodities market. This has led, to a significant extent, to the improvement in results for the period in question, also supported by favourable weather conditions over the winter. These results highlight the positive contribution of ongoing strategies to maintain a diverse and flexible structure of procurement sources.

The strategy of expanding in deregulated markets is founded on a solid commercial structure, effective cross-selling and efficient customer support. This strategy also successfully continued to support the increase in ***customers in the electricity sector*** during the first nine months of the year to over half a million, consolidating the Group's presence in free markets. In the *gas* sector, the customer expansion strategy produced higher results than the physiological churn, with the Group customer base continuing to grow to over 1.1 million customers.

The waste disposal sector recorded a downturn in results mainly as a consequence of the end of the CIP6 incentive, which the Bologna waste-to-energy plant enjoyed until midway through November 2011 and also due to the fall in consumption related to the economic crisis both with regard to residential and industrial customers. The general situation featured a decrease in GDP, low production and reduced consumption. The negative quarterly trends recorded in volumes of industrial waste (compared with 2011) demonstrated a progressive and constant improvement from the start of the year until the figures almost stabilised in the third quarter.

Activities managed under licence in the distribution of energy, urban waste collection and the integrated water service contributed to the growth in results achieved in the first nine months, mainly thanks to the efficiencies made in management, investments and rate adjustments laid down by national laws plus the application of rate agreements signed with local authorities.

Operating results in the first nine months showed progress compared with the same period of the previous year, thanks, in the main, to the contribution of the strategic business area of Energy (the sale and trading of energy commodities) which benefited from the unique upstream structure of the Group.

These results also supported the net profit for shareholders produced in the 9 months, in spite of the physiological increase in amortisation and depreciation resulting from investments made, prudential provision policies followed and increased financial costs related to interest rate dynamics.

The net financial position stood at Euro 2.1 billion essentially confirming the levels reached in the second quarter of the year.

Strategy

Hera's strategy is focused on creating value through a ***multi-stakeholder*** approach and aims to achieve growth along all internal and external lines of development, benefiting both from economies of scale and from synergies as a result of mergers with ***multi-utility*** companies operating in the target markets.

Hera implements ***efficiency strategies*** by adopting an organisational model that groups together certain central functions while maintaining strong links with the areas in which the company operates.

The ***development of free markets*** has always been one of the Group's key strategies, even in times of economic and financial crisis. Particular emphasis has been placed on cross-selling services to customers. The increase in market shares in deregulated activities and waste treatment is supported by the plant capacity development strategy which has now reached its final execution stage.

The company aims to strengthen its position in ***regulated activities*** in Italy by investing heavily in network expansion and increasing asset ownership. It will do this through acquisitions of gas and district-heating networks in order to streamline ownership structures, concentrate investments and reduce operating and maintenance costs. The strategy in regulated activities is to renew expiring concessions in the areas Hera serves and expand into several adjacent areas for some network services.
Hera also pursues external growth opportunities through aggregations of multi-business companies, which operate in similar activities to Hera, and mono-business companies, which are integrated upstream in deregulated sectors. The ***multi-business*** growth strategy concentrates on companies operating in areas adjacent to those which Hera serves, which allows the group to extract additional economies of scale that can support management efficiency processes in the short-to-medium term. In 2009, Hera followed this growth strategy to acquire 25% of the share capital of Aimag, with a view to subsequent consolidation for growth supported by synergies. The strategic aim of the ***mono-business*** growth strategy is to strengthen both the waste treatment business, by capitalising on favourable opportunities in the market, and the energy business, which uses a balanced policy of upstream integration for the procurement of raw materials to accompany growth in sales.

Hera formalises its strategic objectives in a business plan which is updated annually; the latest revision, presented to the market in October, focuses on the period 2012-2016. Future scenarios on which the new business plan are based include a new "rationalisation" phase for the sector, which follows the intense "development" stage of recent months which has seen the Group committed to the definition of the merger project with Acegas APS, the 100% acquisition of Energonut and the approval of the capital increase of 80 million shares to facilitate the Fondo Strategico Italiano becoming a shareholder. Transformation of the regulatory framework of local monopoly services such as the collection of urban waste and gas distribution activities is also underway. In future, these concessions will have to be awarded through tender procedures. Further, the management of the integrated water service will have a new tariff system currently being prepared by the authority. To complete the picture, many companies in the sector are currently committed to streamlining their portfolio of activities and rebalancing their financial structure in the wake of sustained expansion over the last decade.

The Group's continuous pursuit of growth in recent years has enabled it to consolidate ***certain competitive advantages*** founded on technologically advanced facilities, strong national market shares and efficient organisation in the various businesses. These structures have shown themselves to be effective in the form of improved operating results, even during the recent economic crisis, whilst also ensuring a solid financial structure. This structure will be the foundation for the Group's strategy over the next five years as it sets about pursuing more organic growth of its business and other external growth opportunities that may arise from changes in the industry.

The new ***business plan to 2016*** outlines strategies for growth both in deregulated activities in the upstream chain and through extending facilities for regulated activities, while ensuring that revenue and cost synergies remain at the core of future growth. The plan sets growth objectives which, for the most part, depend on factors which have already been consolidated such as the development of internal growth lines and the recent one-off financing transactions which took place in recent months. The improvement in economic results is followed by forecasts of positive cash generation, adequate to finance an investment programme quantified in line with the previous plan on a like-for-like basis. The plan to 2016 provides for more financial stability to ensure greater flexibility and support any additional development projects that may arise from current changes in the industry, while ensuring that dividends remain constant throughout the period covered by the plan at a minimum of Euro 0.09.

Hera's strategy is aimed at sustainable business development through a multi-stakeholder approach. At the beginning of 2012, the 2011 Sustainability Report, which was approved by the Board of Directors together with the 2011 financial statements, was presented to the Shareholders' Meeting. The Sustainability Report showed an unbroken increase in added value since 2002, confirming the soundness of the Group's sustainable approach to managing its activities.

Business sectors

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

The effectiveness and ***low risk profile*** of this balanced multi-business approach are determining factors in the uninterrupted growth of consolidated EBITDA, even in a difficult year like 2012.

Hera is the ***leading domestic operator in the waste management sector*** through the quantity of waste collected and treated. Its urban waste collection activities are carried out on the basis of concessions, while waste disposal is a free-market business.

The number of plants has risen to more than 80 over the last seven years, through the construction of new plants, which is perfect for covering the full range of waste treatment and processing services that the Group provides to a high standard across the country.

Hera is also one of the key Italian players in the recovery of electricity from waste and is the only company in recent years to manage to build and commission five new WTE plants in Italy, taking installed capacity to over 100 MW and 860,000 tonnes/year. This prime position was strengthened further through the recent acquisition of Energonut and the approval of the merger project with Acegas APS which will bring another 3 waste-to-energy plants. The subsidiary Herambiente S.r.l. is a special-purpose vehicle created to boost market presence and take advantage of the exclusive know-how acquired in the operation of these plants.

Hera Group is ***Italy's second-largest operator*** in ***complete water cycle*** management, which involves collecting waste water, purifying it and distributing drinking water. It performs these services in seven provinces in Emilia Romagna and in the north of Le Marche, based on exclusive long-term concession agreements (on average until 2022).

Together with the contribution from external growth, the major drivers of growth are more efficient management of more than 40,000 km of water networks, economies of scale in acquisitions and tariffs adjustments.

In the ***gas sector Hera is the largest of the "local" businesses and the third largest company at national level in terms of the number of customers.*** This is also thanks to the increase in size resulting from the merger with Acegas APS which was recently approved by the Shareholders' Meeting.

The Group protects its market share with the supply of gas also coming directly from foreign sources thanks to direct transport links via the TAG gas pipeline and guaranteed by short-term supply agreements mainly without take or pay clauses.

Hera has always pursued a 'dual fuel' commercial strategy, which allows the ***electricity*** business to grow rapidly, both through cross-selling to existing customers and through expansion into new markets. As well as being one of the top 7 Italian operators in this sector, Hera has been named by Platt's as one of the fastest-growing companies in the Europe, Middle East and Africa (EMEA) region.

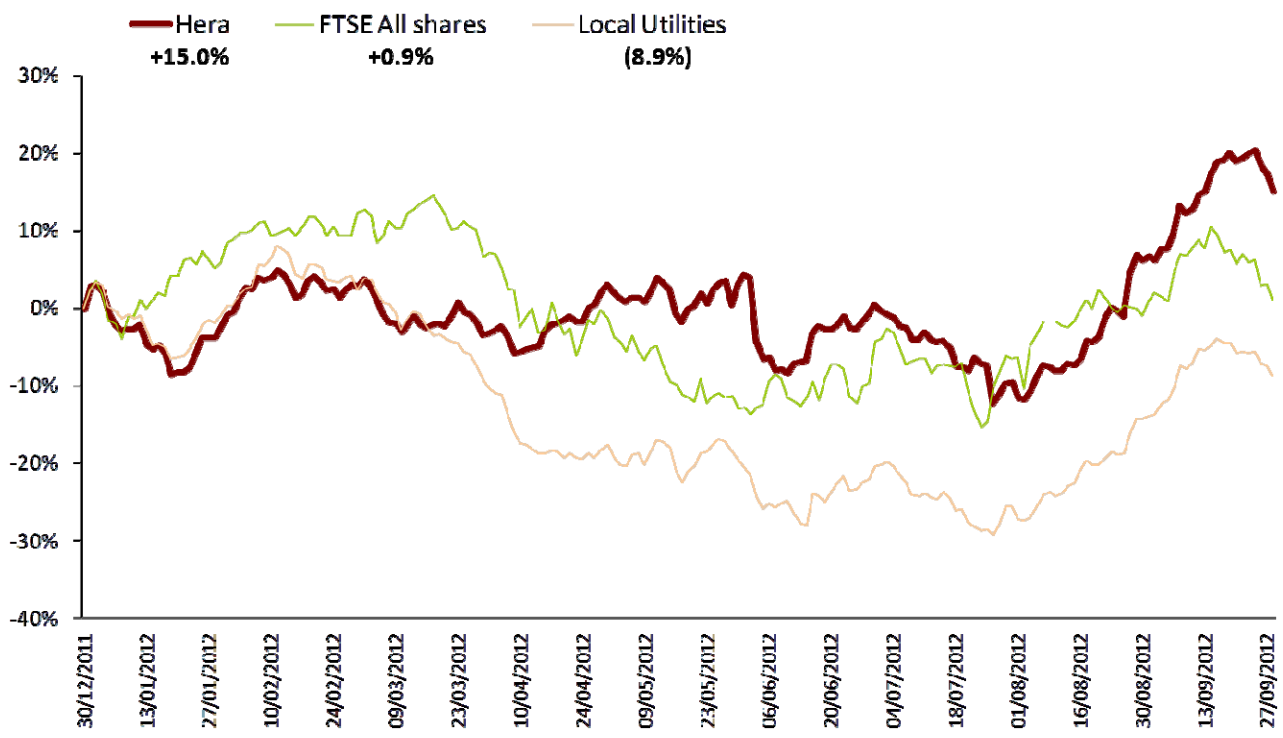
The Hera Group relies on efficient sales and after-sales teams to ensure high levels of customer loyalty. By developing more-competitive offers than the biggest market operators, Hera boosted its share of the electricity market by winning contracts to supply electricity during the 2011-2013 period to default-provider service customers in Lombardy, Tuscany, Le Marche, Umbria and Puglia. The sales strategy is balanced between SME business customers and residential customers, ensuring a diversified customer base on a geographic basis as well.

This sales strategy has been accompanied by increasing energy supply through joint ventures set up to buy stakes in combined-cycle plants, by developing power plants that operate on renewable or similar energy sources, and by commissioning cogeneration plants. The strategy has been conducted guaranteeing cover for only part of electricity sales, leaving space for the benefits that arise from current commodity market conditions.

Hera share performance

The FTSE Italia All-Share Index rose by 0.9% during the first nine months of 2012, while Hera's share price improved by 15.0% to end the period on Euro 1.26.

Performance of Hera share as at 30th September 2012

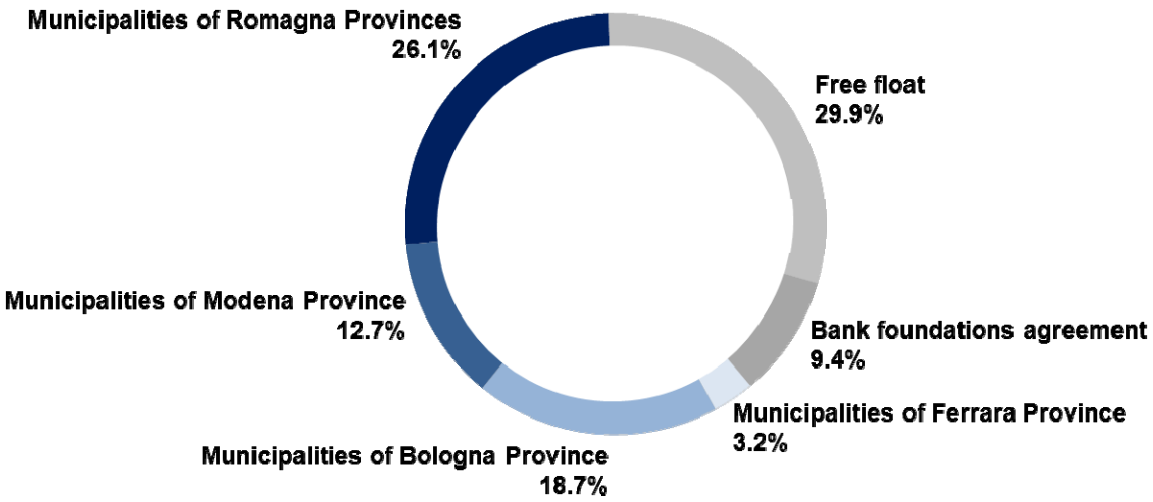


The performance of the stock is better than the performance of shares listed on the Milan stock exchange and shares in the multi-utility reference area. This performance was recorded following the announcement of the annual and quarterly results published during the year and one-off financing transactions which took place in the second part of the year.

Hera has extensive coverage from 11 independent consultancy firms, half of which are international: Banca Aletti, Banca Akros, Banca IMI, Centrobanca, Citigroup, Cheuvreux, Equita, Intermonte, Kepler, Mediobanca and Deutsche Bank. Hera stock does not have any negative recommendations from analysts. The majority of stock analyst ratings are buy/outperform.

Following the extraordinary transactions which took place since its establishment, Hera *share capital* stands at 1,115,013,754 ordinary shares with a par value of one Euro each. The dividend per share, distributed at the beginning of June, increased to Euro 0.09 (in line with the previous year) with a dividend yield of more than 7%.

Hera's ownership is unique in Italy. Its shareholder structure consists of more than 190 local public institutions, which have a combined stake of around 60.9% (of which 51% is bound by a shareholders' agreement), more than 400 Italian and foreign institutional investors and over 21,000 private shareholders.



Since 2006, Hera has adopted a ***plan to buy back treasury shares*** with a maximum limit of 15 million shares for a total amount of up to Euro 60 million aimed at financing possible acquisitions of small companies and normalising any irregular fluctuations in share price compared with its main domestic competitors. The Shareholders' Meeting which approved the 2011 Annual Financial Statements extended the treasury share buy back plan for a further 18 months for a total maximum amount of Euro 40 million for the purchase of a maximum of 25 million shares. Hera held around 10.1 million treasury shares in its portfolio on 30 September 2012.

The Group's corporate website (www.gruppohera.it) is undoubtedly its primary means of communication with the financial market. Constant attention to online communication allowed the Group to be included among the national best practices together with the larger capitalisations of the Milan stock exchange.

During the first nine months of 2012, Hera continued its policy of constant dialogue with Italian and foreign investors by presenting its annual results and business plan to 2016 to the financial community at international road shows, allowing the Group to initiate and renew a growing number of contacts in response to more demand for information from European and American financial markets.

Directors' reports

1.01 Hera Group performance as at 30 September 2012

Group consolidated financial and operating highlights:

(millions of €)	30-Sept-11	Inc.%	30-Sept-12	Inc.%	Change %
Revenue	**2,901.9**		**3,322.0**		**+14.5%**
EBITDA	**466.7**	**16.1%**	**473.6**	**14.3%**	**+1.5%**
EBIT	240.5	8.3%	242.6	7.3%	+0.9%
Net Profit	**84.0**	**2.9%**	**79.6**	**2.4%**	**-5.2%**

1.01.01 Financial and operating results

At the end of the first nine months of 2012, the Hera Group reported growth in core business operations compared to the same period 2011, despite the continuing challenging economic climate and net profit reporting a decrease, reflecting the impact of higher financial operations costs. Business segments reported hybrid performance that will be reviewed in greater detail further on. Similarly, quantitative indicators registered higher volumes of gas and heat sold and water distributed, while lower volumes were reported for waste management and electricity sales.

A consistent increase in the price of raw materials meant that the fair value of commodity hedging compared unfavourably on a temporary basis.

Lastly, disclosure is made for the following events compared to same period 2011.

- In February 2012, Hera Energie Rinnovabili, acquired a 100% equity interest in four companies (Amon Srl, Esole Srl, Juwi Sviluppo Italia- 02 Srl and CTG RA Srl), operating in the electricity generation sector, each owning a 1 MWh ground-mounted installation; subsequently, the companies were merged by incorporation into Hera Energie Rinnovabili.
- Since February 2012, the HERAmbiente Group has fully consolidated Feronia Srl that manages a refuse site in the municipality of Finale Emilia (MO).
- Since July 2012, with retroactive effect from 1 January 2012, Marche Multiservizi Group has included Marche Multiservizi Falconara in its scope of consolidation, a company operating in the provision of urban hygiene services in the Municipality of Falconara and the municipality of Unione dei 5 Comuni.

As reported in prior financial statements, the Consolidated Income statement has adopted accounting standard IFRIC 12 "Service Concession Arrangements" that has modified the accounting event methods for those companies operating in sectors regulated by specific concessions. The effect of adopting this change in accounting policy, while not changing results, has meant investments in assets under concession, limited to network services, have been recognised in the income statement. Consequently, in the first nine months of 2012, higher other operating income has been reported totalling € 85.8 million compared to € 98.1 reported for the same period 2011, lower capitalised costs amounting to € 23.8 million in 2012 and € 24.2 million in 2011 and higher operating costs for services, materials and other operating expenses amounting to € 62.1 million in 2012 and € 73.9 million in 2011.

The following table reports 3Q interim financial results for 2011 and 2012

Income statement (mln/€)	30-Sept-11	Weight %	30-Sept-12	Weight %	Abs. Change	Change %
Revenue	2,901.9	0.0%	3,322.0	0.0%	+420.1	+14.5%
Other operating income	137.8	4.7%	135.7	4.1%	-2.1	-1.5%
Raw materials and other materials	(1,666.9)	-57.4%	(2,027.3)	-61.0%	+360.4	+21.6%
Service costs	(639.3)	-22.0%	(664.1)	-20.0%	+24.8	+3.9%
Other operating costs	(26.8)	-0.9%	(29.0)	-0.9%	+2.2	+8.2%
Personnel costs	(276.5)	-9.5%	(284.3)	-8.6%	+7.8	+2.8%
Capitalised costs	36.5	1.3%	20.7	0.6%	-15.8	-43.3%
EBITDA	**466.7**	**16.1%**	**473.6**	**14.3%**	**+6.9**	**+1.5%**
Depreciation, amortisation and provisions	(226.2)	-7.8%	(231.0)	-7.0%	+4.8	+2.1%
Operating profit	**240.5**	**8.3%**	**242.6**	**7.3%**	**+2.1**	**+0.9%**
Financial operations	(84.3)	-2.9%	(95.5)	-2.9%	+11.2	+13.3%
Pre-tax profit (EBIT)	**156.2**	**5.4%**	**147.1**	**4.4%**	**-9.1**	**-5.8%**
Tax	(72.2)	-2.5%	(67.4)	-2.0%	-4.8	-6.6%
Net profit for period	**84.0**	**2.9%**	**79.6**	**2.4%**	**-4.4**	**-5.2%**
Distributable to:						
Parent equity owners	**67.7**	**2.3%**	**70.2**	**2.1%**	**+2.5**	**+3.7%**
Minority interests	**16.4**	**0.6%**	**9.5**	**0.3%**	**-6.9**	**-42.2%**

EBITDA rose from € 466.7 million in the first nine months of 2011 to € 473.6 million in 2012 (+1.5%); EBIT rose from € 240.5 million to € 242.6 million; Pre-tax earnings reported a decrease of 5.8%, dropping from € 156.2 million to € 147.1 million; net earnings also reported a decrease, falling from € 84.0 million at 30 September 2011 to € 79.6 at the end of the same period 2012.

Revenue reported growth of € 420.1 million, +14.5%, increasing from € 2,901.9 million at the end of 3Q 2011 to € 3,322.0 at the end of the same period 2012. The main reasons can be attributed to: (i) greater volumes of gas distributed and sold. (ii) higher revenue reported by gas and electricity due to the effect of price increases in raw materials, totalling € 300 million, (iii) higher revenue from the management of water cycle services that offset lower revenue generated by waste management.

The increase in the cost of raw materials and other materials, corresponding to € 360.4 million compared with 3Q 2011, is attributable to the higher volumes of gas sold, € 300 million, as previously stated.

Other operating costs (Costs for services increased by € 24.8 million and Other operating costs increased by € 2.2 million), an overall increase of € 27.0 million (+4.1%); more than 80% of this increase is attributable to greater electricity and gas transport costs.

Personnel costs increased by 2.8%, totalling € 276.5 million at 30 September 2011 and € 284.3 million at the end of 3Q 2012. This increase is due to the automatic salary increases triggered under the CCNL [National Collective Labour Agreement], in part offset by a reduction in average headcount, despite MMS Faconara being included in the scope of consolidation.

The decrease in Capitalised costs, which contracted from € 36.5 million to € 20.7 million, is mainly connected to the decrease in works on installations and intergroup company projects, specifically for completing new WTE plants.

Group consolidated EBITDA at 30 September 2012 reported growth, increasing from € 466.7 million to € 473.6 million (+1.5%), due to good performance maintained by the gas segment, which increased its weight from 29.5% to 34.0% of the total results reported for the water cycle and Other Services segments.

Amortisation, Depreciation and Provisions increased by 2.1%, from € 226.2 million at the end of 3Q 2011 to € 231.0 million at the end of the same period 2012. This change is primarily due to: (i) higher depreciation of new plant, (ii) higher amortisation and depreciation and provisions attributable to changes in the scope of consolidation.

Operating profit (EBIT) at the end of 3Q 2012 stood at € 242.6 million, an increase of 0.9% compared to the same period 2011, attributable to the reasons previously disclosed.

The result of Financial Operations at 30 September 2012 corresponded to € 95.5 million, reporting growth compared to € 83.4 million for the same period 2011.
Higher costs are due to both the increase in average borrowing and the higher average costs as a result of the increase in recorded spreads compared to previous year. In addition, the total reported for Financial Operations has been impacted by lower earnings reported by associates compared to the same period 2011.

In the light of the above, Pre-Tax profits rose from € 156.2 million for 3Q 2011 to € 147.1 million for the same period 2012, a decrease of 5.8%.

Taxes decreased from € 72.2 million reported for 2011 to € 67.4 million 3Q 2012 The tax rate was 45.8%, falling by 0.4 percentage points compared to the same period previous year, primarily as a result of benefits introduced under the Monti Decree in relation to the deductibility of IRAP tax [Regional Corporate Tax on Production] paid on the cost of operations.

Net earnings reported at 30 September 2012 remained stable at € 79.6 million, decreasing by 5.2% compared to € 84.0 million reported at the end of 3Q 2011, as a result of the events previously described.

Group net earnings totalled € 70.2 million, creasing by 3.7% compared to 67.7% at 30 September 2011. The reason for the inversion of the trend is primarily attributable to the better performance reported by the companies fully controlled by Parent Hera Spa.

1.02 Investments

The Group's tangible and intangible investments totalled € 183.8 million, compared to € 213.2 million reported for the corresponding period previous year.

The following table lists investments before disposals, for the reference period and by business segment.

Total Investments (mln €)	30-Sept-11	30-Sept-12	Abs. Change	Change %
Gas segment	34.3	27.2	-7.1	-20.7%
Electricity segment	20.1	13.1	-7.0	-34.8%
Integrated water cycle segment	69.4	60.5	-8.9	-12.8%
Waste management segment	44.8	31.6	-13.2	-29.5%
Other services segment	10.4	8.6	-1.8	-17.3%
Central business unit	34.2	42.9	+8.7	+25.4%
Total Operating Investments (mln €)	**213.2**	**183.8**	**-29.4**	**-13.8%**
Total financial investments	0.0	0.0	+0.0	+0.0%
Total	**213.2**	**183.8**	**-29.4**	**-13.8%**

Investments in **Gas services** decreased compared to the same period previous year. Gas service operations, in the relevant territorial area, refer to network expansion, improvements to and upgrading of networks and distribution facilities. District heating includes works for network extension in areas of Bologna (€ 1.7 million), Imola (€ 2.2 million), Forlì Cesena (€ 0.9 million), Ferrara (€ 1.0 million) and Modena (€ 0.3 million). Investments in Heat Management relate to structural works on heat-generating plants run by Group companies.

Gas (mln €)	30-Sept-11	30-Sept-12	Abs. Change	Change %
Network	23.0	20.1	-2.9	-12.6%
District Heating/Heat Management	11.2	7.0	-4.2	-37.5%
Other	0.1	0.1	+0.0	+0.0%
Total Gas	**34.3**	**27.2**	**-7.1**	**-20.7%**

Investments in **Electricity services** primarily concerned extending the service and extraordinary maintenance on distribution networks and installations in the Modena and Imola areas and network support services. Investment was down compared to the same period of the previous year, also due to the commitment for wholesale replacement of existing meters with smart meters, for the purpose of complying with the replacement plans ordered by the AEEG [Italian regulatory Gas and Electricity Authority]. Investments in electricity and heat generation plants (CCGT) refer to the completion of the Imola cogeneration plant, while industrial cogeneration operations relate to creating new plants for companies in the area.

Electricity (mln €)	30-Sept-11	30-Sept-12	Abs. Change	Change %
Territory	15.0	9.7	-5.3	-35.3%
Imola CCGT	3.9	3.1	-0.8	-20.5%
Industrial cogeneration	1.2	0.2	-1.0	-83.3%
Total Electricity	**20.1**	**13.1**	**-7.0**	**-34.8%**

With regard to the **Integrated Water Cycle**, investments mainly refer to extension, enhancement and upgrading of networks and plants, in addition to regulatory compliance specifically in relation to purification and sewerage systems. Investments regarding Water Cycle operations reported a decrease compared to the same period previous year.

Integrated Water Cycle (mln €)	30-Sept-11	30-Sept-12	Abs. Change	Change %
Mains water	35.3	31.0	4.3	-12.2%
Purification	16.4	15.5	-0.9	-5.5%
Sewerage	17.7	13.9	-3.8	-21.5%
Total Integrated Water Cycle	**69.4**	**60.5**	**-8.9**	**-12.8%**

In the **Waste Management segment**, maintenance and upgrading of existing plants in the territorial area increased compared to 3Q previous year. Investments in the WTE sector decreased following completion of the Rimini plant.

Waste Management (mln €)	30-Sept-11	30-Sept-12	Abs. Change	Change %
Existing plants	30.6	31.6	+1.0	+3.3%
New plants:				
Modena WTE	1.5	0.0	-1.5	-100.0%
Rimini WTE	12.7	0.0	-12.7	-100.0%
Total Waste Management	**44.8**	**31.6**	**-13.2**	**-29.5%**

The **Other Services** segment, with regard to telecommunications, reported a contraction in investments compared to the same period previous year; the item - Other – incorporates investments for cemetery services, including the construction of a new crematorium (€ 0.4 million in the period).

Other services (mln €)	30-Sept-11	30-Sept-12	Abs. Change	Change %
TELCOM	7.8	6.3	-1.5	-19.2%
Public lighting and traffic lights	1.0	0.9	-0.1	-10.0%
Other	1.6	1.4	-0.2	-12.5%
Total Other Services	**10.4**	**8.6**	**-1.8**	**-17.3%**

Investments in the Central Business Unit have increased overall compared with the previous year, reflecting the effect of investments for new offices and vehicle fleet servicing. Other investments included works for the completion of laboratories and remote-monitoring units.

Central Business Unit (mln €)	30-Sept-11	30-Sept-12	Abs. change	Change %
Property	16.1	23.6	+7.5	+46.6%
Telcom systems	10.9	10.4	-0.5	-4.6%
Fleet	5.0	7.3	+2.3	+46.0%
Other investments	2.1	1.5	-0.6	-28.6%
Total Central Business Unit	**34.2**	**42.9**	**+8.7**	**+25.4%**

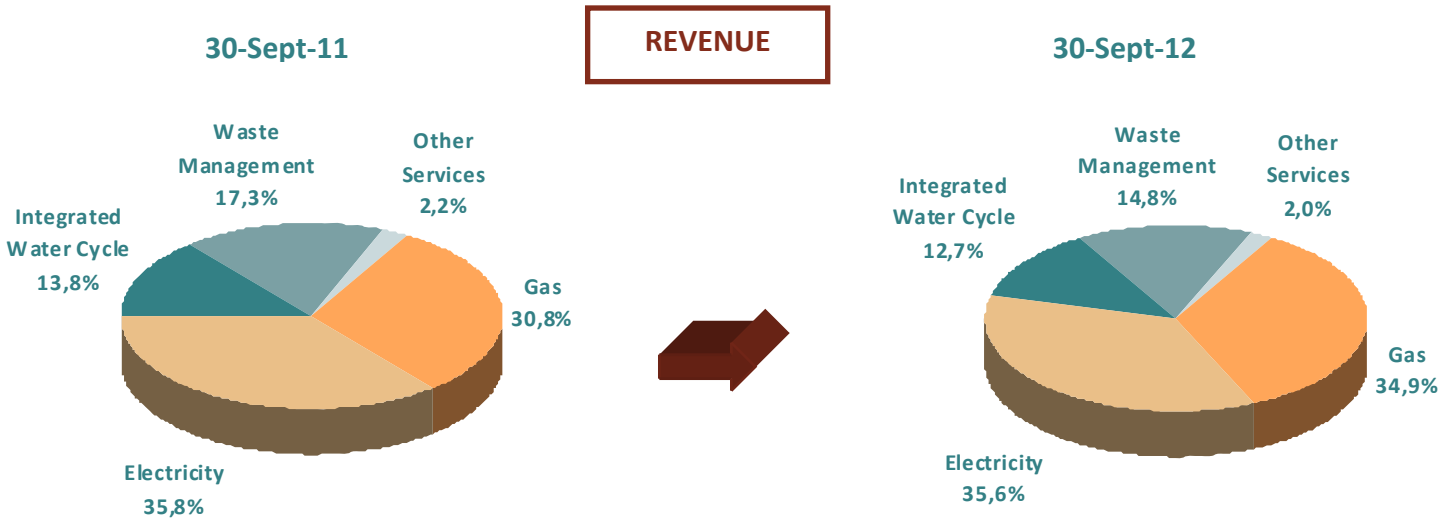
1.03 Analysis by business segment

An analysis of the operating results reported for the business segments in which the Group operates is provided below: (i) Gas, which includes methane gas and LPG distribution and sales services, district heating and heat management, (ii) Electricity, which includes Electricity generation, distribution and sales services, (iii) Integrated Water Cycle, which includes Mains Water, Purification and Sewerage services, (iv) Waste Management, which includes Waste Collection, Treatment and Disposal services, (v) Other Services, which include public Lighting, Telecommunications and other minor services.

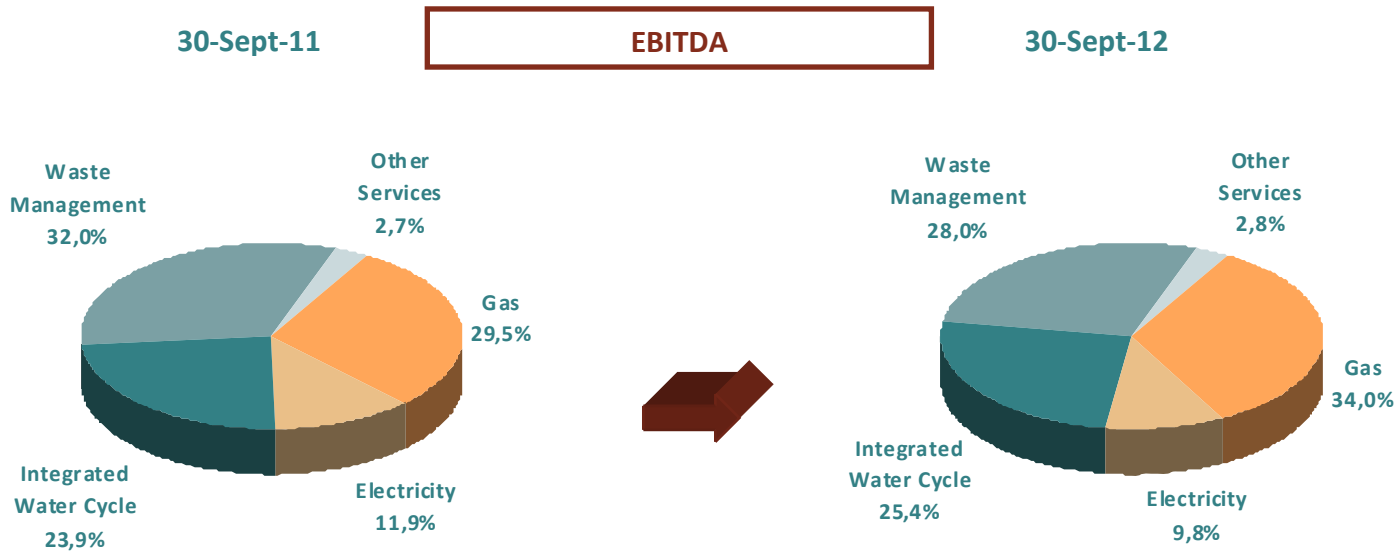
In the light of the foregoing, Revenue and EBITDA breakdown and trend over the years is shown in the pie-charts below:

Business portfolio breakdown

REVENUE



EBITDA



The following sections provide an analysis of the operating results by business segment. Income statements by business segment incorporate structural costs, including intercompany transactions valued at current market prices.

The analysis by business segment into account the increase in value of higher revenues and increased costs, without impacting EBITDA, in relation to having adopted IFRIC 12, as shown in the Group Consolidated Income Statement. The business segments impacted as a result of this change in accounting policy are: Methane distribution services, Electricity distribution services, all Integrated Water Cycle services and public lighting services.

1.03.01 Analysis of Gas operations

At 30 September 2012, Gas operations reported significant growth compared to same period previous year, both in absolute terms and in percentage terms in relation to contributing to Group EBITDA, registering 34% growth of 4.5 percentage points compared to 3Q previous year, as shown in the table below.

(mln/€)	30-Sept-11	30-Sept-12	Change Abs.	Change %
Segment EBITDA	**137.7**	**161.2**	**+23.5**	**+17.1%**
Group EBITDA	466.7	473.6	+6.9	+1.5%
Percentage weight	29.5%	34.0%	+4.5 p.p.	

The following table reports the main quantitative indicators for this segment.

Quantitative data	30-Sept-11	30-Sept-12	Change Abs.	Change %
Gas volumes distributed (millions of m^3)	1,522.9	1,569.6	+46.7	+3.1%
Gas volumes sold (millions of m^3)	2,246.1	2,551.8	+305.7	+13.6%
- of which Trading volumes	*900.5*	*1,141.8*	*+241.3*	*+26.8%*
Heat volumes supplied (Gwht)	331.1	357.3	+26.2	+7.9%

Volumes distributed increased from 1,522.9 million cubic meters in 2011 to 1,569.6 in 2012, reporting growth of 3.1%, which is also higher than the national average (+0.9%), as a result of inclement weather conditions during the initial months of 2012.

Likewise, gas sales volumes increased from 2,246.1 million cubic meters at 30 September 2011 to 2, 551.8 in 2012, an increase of 13.6% compared to the same period in 2011, as a result of the increase in traded volumes, thanks both to expansion of the wholesale portfolio and increased supplies to large consumption points, such as thermal power stations.

Heat volumes supplied increased from 331.1 GWht at 30 September 2011 to 357.3 at 30 September 2012, growth of 7.9%, associated both with the lower average temperatures recorded in the first four months of the year that boosted heat consumption and an increase in new contract activation during the first half of 2012.

A summary of the financial results for the segment is provided below.

Income statement (mln/€)	30-Sept-11	Inc.%	30-Sept-12	Weight %	Abs. Change	Change %
Revenue	977.2		1,256.4		+279.2	+28.6%
Operating costs	(798.8)	-81.7%	(1,045.2)	-83.2%	+246.4	+30.8%
Personnel costs	(50.1)	-5.1%	(55.5)	-4.4%	+5.4	+10.8%
Capitalised costs	9.4	1.0%	5.4	0.4%	-4.0	-42.7%
EBITDA	**137.7**	**14.1%**	**161.2**	**12.8%**	**+23.5**	**+17.1%**

Revenues increased by 28.6%, from € 977.2 million in 2011 to € 1,256.4 million in 2012, as a result of increased sales revenue, linked both to the increase in the cost of raw materials and greater traded volumes and both higher revenues from distribution and higher volumes of heat sold in the District Heating Business.

The 30.8% increase in operating costs was primarily the result of the higher cost of natural gas, higher sold and traded volumes and the increased cost of natural gas transport.

EBITDA for the Gas business segment thus reports an increase of € 23.5 million, rising from € 137.7 million to € 161.2 million, despite a contraction in percentage EBITDA, decreasing from 14.1% at 30 September 2011 to 12.8% in 2012. The result for this business segment can be attributed to increased sales margins, as a result of favourable commodity purchasing contracts, higher distribution volumes and higher volumes of heat supplied.

1.03.02 Analysis of Electricity Operations

At the end of the January-September 2012 period, Electricity operations report a decrease compared to 2011, both in absolute terms and in terms of the contribution to the Group's overall EBITDA, as shown in the table below.

(mln/€)	30-Sept-11	30-Sept-12	Abs. Change	Change %
Segment EBITDA	**55.5**	**46.6**	**-8.9**	**-16.1%**
Group EBITDA	466.7	473.6	+6.9	+1.5%
Percentage weight	11.9%	9.8%	-2.1 p.p.	

EBITDA decreased from € 55.5 million at 30 September 2011 to € 46.6 million at 30 September 2012, reporting a contraction of € 8.9 million. This decrease is attributable, for the most part, to the change in the Fair Value of hedge transactions on the sale of electricity which, in 2011 in relation to oil prices, generated a very positive increase in value on the first nine months of 2011.

The quantitative figures for the business area, which do not include trading activities, are shown in the table below.

Quantitative data	30-Sept-11	30-Sept-12	Change Abs.	Change %
Volumes sold (Gw/h)	7,480.4	7,301.1	-179.3	-2.4%
Volumes distributed (Gw/h)	1,723.0	1,672.5	-50.5	-2.9%

Volumes distributed fell by 2.9%, highlighting a slowing down in consumption, reflected, albeit to a lesser degree, both in the reference regions of Emilia Romagna and Tuscany (-2.2%) and in the national average (-1.9%).

The contraction in volumes sold, -2.4%, was caused by lower consumption as a result of the previously mentioned problematic economic climate, despite an increase in the customer portfolio of 13.9%.

An analysis of the key results for the segment is provided below.

Income statement (mln/€)	30-Sept-11	Inc.%	30-Sept-12	Weight %	Abs. Change	Change %
Revenue	1,136.3		1,282.9		+146.6	+12.9%
Operating costs	(1,069.3)	-94.1%	(1,223.6)	-95.4%	+154.3	+14.4%
Personnel costs	(20.4)	-1.8%	(18.6)	-1.4%	-1.8	-8.8%
Capitalised costs	8.8	0.8%	5.8	0.5%	-3.0	-33.9%
EBITDA	**55.5**	**4.9%**	**46.6**	**3.6%**	**-8.9**	**-16.1%**

Revenue increased from € 1,136.3 at 30 September 2011 to € 1,282.9 at the end of the same period 2012, reporting growth of 12.9%, primarily due to an increase in commodity prices.
The increase in operating costs (+14.4%) can be attributed to higher costs for purchasing the commodity and electricity transport costs. The previously mentioned impact should be noted regarding increase in value of hedging transactions on the purchase of the commodity for resale on the first nine months of 2011.

It should, likewise, be noted that operations regarding renewable sources and industrial cogeneration reported a contribution to EBITDA of 8.5% in the Electricity business area, an increase of 6.6 percentage points compared to the same period previous year, also thanks to the acquisition of the new companies operating in the photovoltaic sector.

At the end of the January-September 2012 period, on the basis of previously reported data, EBITDA increased from € 55.5 million to € 46.6 million.

1.03.03 Analysis of Integrated Water Cycle Operations

At 30 September 2012, Integrated Water Cycle operations grew both from the financial and quantitative standpoint, compared to the same period previous year.

(mln/€)	30-Sept-11	30-Sept-12	Abs. Change	Change %
Segment EBITDA	**111.6**	**120.1**	**+8.5**	**+7.6%**
Group EBITDA	466.7	473.6	+6.9	+1.5%
Percentage weight	23.9%	25.4%	+1.5 p.p.	

An analysis of the operating results for this business segment is provided below.

Income statement (mln/€)	30-Sept-11	Inc.%	30-Sept-12	Weight %	Abs. Change	Change %
Revenue	439.2		458.9		+19.7	+4.5%
Operating costs	(253.8)	-57.8%	(259.9)	-56.6%	+6.1	+2.4%
Personnel costs	(79.3)	-18.1%	(81.5)	-17.8%	+2.2	+2.8%
Capitalised costs	5.5	1.2%	2.7	0.6%	-2.8	-51.1%
EBITDA	**111.6**	**25.4%**	**120.1**	**26.2%**	**+8.5**	**+7.6%**

Revenues, corresponding to € 458.9 million, increased by 4.5% compared to period ending 30 September 2011, due to the effect of increased revenue and volumes covering the higher operating service costs.

In fact, operating costs increased by 2.4% compared to the same period previous year and this increase was linked to: (i) an increase in energy costs for running facilities for the entire integrated water service, (ii) high water costs, and (iii) higher costs for addressing the water shortage during the summer months of 2012, a period in which average rainfall was extremely low.

The following table shows the main quantitative indicators for this business segment.

Quantitative data	30-Sept-11	30-Sept-12	Abs. Change	Change %
Volumes sold (millions of m^3)				
Mains water	195.6	195.7	+0.1	+0.1%
Sewerage	167.9	169.7	+1.8	+1.1%
Purification	166.6	168.3	+1.7	+1.0%

Water volumes supplied increased by 0.1% compared to the first nine months of 2011, while sewerage and purification operations reported growth of 1.1% and 1.0%, respectively.

EBITDA thus was stable at € 120.1 million at 30 September 2012, against € 111.6 million reported for the same period previous year, registering a percentage increase of 7.6%, attributable to higher sales volumes and revenue covering the services supplied.

1.03.04 Analysis of waste management segment operations

The Waste Management segment reported a decrease in EBITDA as shown in the table below.

(mln/€)	30-Sept-11	30-Sept-12	Abs. Change	Change %
Segment EBITDA	**149.2**	**132.5**	**-16.7**	**-11.2%**
Group EBITDA	466.7	473.6	+6.9	+1.5%
Percentage weight	32.0%	28.0%	-4.0 p.p.	

The Hera Group has fully integrated waste cycle operations, with facilities that include 80 urban and special waste treatment and disposal plants managed by HERAmbiente and a further 4 facilities managed by Marche Multiservizi Group.

An analysis of the operating results reported for the Waste Management segment is shown below.

Income statement (mln/€)	30-Sept-11	Inc.%	30-Sept-12	Weight%	Abs. Change	Change %
Revenue	550.2		533.7		-16.5	-3.0%
Operating costs	(299.6)	-54.5%	(290.8)	-54.5%	-8.8	-2.9%
Personnel costs	(112.5)	-20.5%	(115.6)	-21.7%	+3.1	+2.8%
Capitalised costs	11.1	2.0%	5.3	1.0%	-5.8	-52.1%
EBITDA	**149.2**	**27.1%**	**132.5**	**24.8%**	**-16.7**	**-11.2%**

Revenue at 30 September 2012 reported a decrease 3.0% compared to the same period previous year, falling from € 550.2 million to € 533.7 million. This decrease can be attributed to: (i) lower revenue from electricity generation totalling around € 13 million, the largest portion of which is due to the expiry of the CIP6 incentive on the FEA WTE power station in the Bologna area (approximately € 12.0 million), and (ii) lower volumes of disposed waste.

The decrease in Capitalised costs is attributable to a decrease in work on plants and Group intercompany construction projects; specifically, works associated with the building of new WTE plants.

Separated waste collection, in terms of percentage of total volumes collected, accounted for 50.2% at the end of 3Q 2012, compared to 49.2% for the same period in 2011.

A breakdown of volumes sold and treated by the Group in the first nine months of 2012, compared to the same period of 2011, is shown in the table below.

Quantitative Data (thousands of tonnes)	30-Sept-11	Weight %	30-Sept-12	Weight %	Abs. Change	Change %
Urban waste	1,368.4	35,0%	1,306.1	37.4%	-62.3	-4.6%
Market waste	1,180.6	30.2%	1,086.6	31.1%	-94.0	-8.0%
Commercialised waste	**2,549.0**	**65.2%**	**2,392.7**	**68.5%**	**-156.3**	**-6.1%**
Plant by-products	1,362.2	34.8%	1,101.2	31.5%	-261.0	-19.2%
Treated waste by type	**3,911.2**	**100.0%**	**3,493.9**	**100.0%**	**-417.3**	**-10.7%**
Landfills/refuse sites	967.1	24.7%	882.2	25.2%	-84.9	-8.8%
Waste-to-energy plants	691.5	17.7%	697.2	20.0%	+5.7	+0.8%
Selecting plants and others	224.5	5.7%	233.5	6.7%	+9.0	+4.0%
Composting and stabilisation plants	425.8	10.9%	354.3	10.1%	-71.5	-16.8%
Stabilisation and chemical-physical treatment plants	648.4	16.6%	538.8	15.4%	-109.6	-16.9%
Other treatment plants	953.8	24.4%	787.9	22.6%	-165.9	-17.4%
Waste treated by plant	**3,911.2**	**100.0%**	**3,493.9**	**100.0%**	**-417.3**	**-10.7%**

The analysis of quantitative data shows a 6.1% decrease in commercialised waste, due to both the fall in urban waste (-4.6%) and in market waste (-8.0%), as a result of the previously mentioned difficult economic climate. The decrease in by-products from plants, on the other hand, needs to be put in the context of the weather conditions; specifically, lower rainfall, compared to the same period of previous year, has resulted in the creation of less leachate.
With regard to waste treatment flows per plant, the general decrease in waste has impacted all types, with the exception of selecting plants, as a result of an increase in separated waste collection and waste-to-energy plants.

EBITDA for the Waste Management segment has thus reported a decrease of € 16.7 million compared to the previous year, falling from € 149.2 million at 30 September 2011 to € 132.5 million in 2012. This result can be attributed to a contraction in volumes disposed and expiry of electricity generation incentives, as already previously highlighted, despite the better results reported by the Urban Hygiene business segment.

1.03.05 Analysis of Other Services operations

At 30 September 2012, the results reported for the Other Services segment registered an increase compared to the same period previous year, with EBITDA increasing from €12.7 million to € 13.2 million, as shown in the table below.

(mln/€)	30-Sept-11	30-Sept-12	Abs. Change	Change %
Segment EBITDA	**12.7**	**13.2**	**+0.5**	**+4.3%**
Group EBITDA	466.7	473.6	+6.9	+1.5%
Percentage weight	2.7%	2.8%	+0.1 p.p.	

The following table provides a summary of the main financial indicators for the segment.

Income statement (mln/€)	30-Sept-11	Inc.%	30-Sept-12	Weight %	Abs. Change	Change %
Revenue	71.4		71.5		+0.1	+0.1%
Operating costs	(46.3)	-64.8%	(46.7)	-65.3%	+0.4	+0.9%
Personnel costs	(14.1)	-19.8%	(13.1)	-18.3%	-1.0	-7.1%
Capitalised costs	1.7	2.3%	1.5	2.1%	-0.2	-12.0%
EBITDA	**12.7**	**17.7%**	**13.2**	**18,5%**	**+0.5**	**+4.3%**

The increase in EBITDA for this segment can be attributed to the Telecommunications Business, while public lighting has maintained a stable performance in line with the previous year.

The main operating indicators, shown in the following table, highlight an increase in the number of lighting points, despite fewer municipalities being serviced.

Quantitative data	30-Sept-11	30-Sept-12	Abs. Change	Change %
Public lighting				
Lighting points (thousands)	292.3	295.8	+3.5	+1.2%
Municipalities serviced	59.0	58.0	-1.0	-1.7%

1.04 Analysis of the Group's net financial position

The breakdown and change in net financial indebtedness are analysed in the following table.

Euro (millions)		30-Sept- 12	31-Dec-11
a	**Cash and cash equivalents**	**490.1**	**415.2**
b	**Other current loans**	**45.1**	**42.9**
	Bank overdrafts	(61.20)	(78.80)
	Current portion of bank debt	(37.60)	(39.10)
	Other current financial liabilities	(0.50)	(0.50)
	Finance leasing payables falling due over 12 months	(3.20)	(3.70)
c	**Current financial debt**	**(102.50)**	**(122.10)**
d=a+b+c	**Net current financial debt**	**432.7**	**336.0**
e	**Non-current loans**	**14.3**	**11.0**
	Non-current bank debt and bonds issued	(2,558.50)	(2,328.80)
	Other non-current financial liabilities	0	0
	Finance leasing payables falling due over 12 months	(3.40)	(5.30)
f	**Non-current financial debt**	**(2,561.90)**	**(2,334.10)**
g=e+f	**Net non-current financial debt**	**(2,547.60)**	**(2,323.10)**
h=d+g	**Net financial debt**	**(2,114.90)**	**(1,987.10)**

The net financial position increased from € 1,987.1 million at 31 December 2011 to € 2,114.9 at 30 September 2012, reporting an increase of € 127.8 million, primarily due to the distribution of dividends amounting to €116.8 million. Indebtedness is confirmed as primarily attributable medium/long-term borrowings that account for 96% of debt, promptly balanced by the Group financial structure marked by a high level of investments.
Hera Spa has been assigned a long-term “Baa1”rating by Moody’s with negative outlook and a “BBB+” rating by Standard & Poor’s with stable outlook.

1.05 Human resources

At 30 September 2012, the Hera Group had 6,564 employees (consolidated companies), with the following breakdown by role: Senior Managers (135), Middle managers (355), Office workers (3,411) and Manual workers (2,663). This headcount was the result of the following personnel in and outflow: Joined (87), Left (91) and changes in the scope of consolidation CAM Falconara (84)

	31-Dec-2011	30-Sept-2012	Change
Senior Managers	125	135	10
Middle Managers	353	355	2
Office workers	3,353	3,411	58
Workers	2,653	2,663	10
Total	**6,484**	**6,564**	**80**

The table below provides a breakdown of headcount flows.

	30-Sept-2012
Headcount at end of 2011 year ends	**6.484**
Joined	87
Left	-91
Net flows	**-4**
Change scope of consolidation	84
Workforce as at 30 September 2012	**6.564**

New hirings were primarily due to:

- Consolidating temporary employment contracts to permanent status.
- Recruiting of new professional figures not present within the Group.

Abbreviated consolidated half year financial statements

2.01 Consolidated financial statements

2.01.01 Consolidated income statement

Euro (thousands)	*30 Sept 2012 (9 months)*	*30 Sept 2011 (9 months)*	*3Q 2012 (3 months)*	*3Q 2011 (3 months)*
Revenue	3.321.981	2.901.863	1.023.064	918.678
Other operating income	135.667	137.798	44.597	50.097
of which non-recurring	*6.625*	*0*	*0*	*0*
Raw materials and consumables	(2.027.277)	(1.666.928)	(627.471)	(544.907)
Service costs	(664.149)	(639.289)	(236.646)	(217.224)
Personnel costs	(284.297)	(276.457)	(91.500)	(86.795)
Depreciation, amortisation and provisions	(230.977)	(226.152)	(79.427)	(81.563)
Other operating costs	(29.038)	(26.757)	(9.701)	(9.221)
Capitalised costs	20.685	36.469	7.628	12.112
Operating profit (EBIT)	**242.595**	**240.547**	**30.544**	**41.177**
Share of profit (loss) in associates	3.378	4.676	481	-47
Financial income	66.895	71.819	21.295	38.024
Financial expenses	(165.796)	(160.807)	(55.528)	(68.835)
Total financial operations	**(95.523)**	**(84.312)**	**(33.752)**	**(30.858)**
Pre-tax profit	**147.072**	**156.235**	**(3.208)**	**10.319**
Tax	(67.430)	(72.189)	(597)	(9.430)
Net profit for period	**79.642**	**84.046**	**(3.805)**	**889**
Attributable to:				
Parent equity owners	70.169	67.653	(6.774)	(3.745)
Non-controlling interests	9.473	16.393	2.969	4.634

2.01.02 Consolidated statement of comprehensive income

Euro (thousands)	*30-Sept-2012*	*30-Sept-2011*
	(9 months)	(9 months)
Net profit/(loss) for the period	**79,642**	**84,046**
Change in fair value derivatives during period	2,831	4,683
Tax impact relating to other components in the aggregate income statement	(726)	(1,260)
Change in fair value derivatives during the period relating to companies valued using the equity method	84	751
Total Profit/(loss) for the period	**81,831**	**88,220**
Attributable to:		
Parent equity owners	72,612	72,068
Non-controlling interests	9,219	16,152

2.01.03 Earnings per share

	30/09/2012	30/09/2011
Earnings (loss) attributable to owners of ordinary shares of the Parent company (A)	70,169	67,653
Interest paid relating to liability component of convertible bonds	1,824	1,838
Adjusted profit (loss) for the period attributable to owners of ordinary shares of Parent company (B)	71,993	69,491
Weighted average number of shares outstanding for the purpose of calculating earnings (loss) per share:		
- base (C)	1,104,914,769	1,107,545,844
- diluted (D)	1,181,250,647	1,183,881,722
Earnings (loss) per share (in Euros)		
- basic (A/C)	0.064	0.061
- diluted (B/D)	0.061	0.059

2.01.04 Consolidated statement of financial position

Euro (thousands)	30-Sept-2012	31-Dec-2011
ASSETS		
Non-current assets		
Tangible fixed assets	1,892,807	1,884,476
Intangible assets	1,824,753	1,802,521
Goodwill	378,427	377,760
Equity investments	136,290	135,865
Financial assets	14,254	11,039
Deferred tax assets	110,099	105,503
Derivative financial instruments	124,283	80,548
Total non-current assets	**4,480,913**	**4,397,712**
Current assets		
Inventories	84,044	72,761
Trade receivables	1,150,625	1,250,360
Contract work in progress	24,846	22,390
Financial assets	45,139	42,945
Derivative financial instruments	20,706	40,642
Current tax assets	43,792	6,164
Other current assets	230,921	211,833
Cash and cash equivalents	490,144	415,189
Total current assets	**2,090,217**	**2,062,284**
Non-current assets held for sale	**0**	**10,606**
TOTAL ASSETS	**6,571,130**	**6,470,602**
Euro (thousands)	***30-Sept-2012***	***31-Dec-2011***
EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,115,014	1,115,014
-Reserve for treasury shares (par value)	(10,099)	(9,674)
Reserves	542,967	537,538
-Reserve for treasury shares (over par value)	(3,223)	(4,008)
Reserve for derivative instruments at fair value	(6,247)	(8,606)

Retained earnings(accumulated losses)	2,061	2,061
Profit (loss) for period	70,169	104,590
Group equity	**1,710,642**	**1,736,915**
Non-controlling interests	137,711	142,431
Total Equity	**1,848,353**	**1,879,346**
Non-current liabilities		
Loans falling due over 12 months	2,668,002	2,405,262
Employee severance pay and other benefits	92,273	91,595
Provisions for contingencies and liabilities	238,785	227,055
Deferred tax liabilities	75,231	76,057
Finance lease payables falling due over 12 months	3,424	5,277
Derivative financial instruments	29,362	17,657
Total non-current liabilities	**3,107,077**	**2,822,903**
Current liabilities		
Bank borrowings falling due within 12 months	99,328	118,467
Finance lease payables falling due within 12 months	3,188	3,683
Trade payables	1,034,137	1,229,242
Current tax liabilities	86,733	36,998
Other current liabilities	370,316	332,253
Derivative financial instruments	21,998	47,710
Total current liabilities	**1,615,700**	**1,768,353**
TOTAL LIABILITIES	**4,722,777**	**4,591,256**
TOTAL EQUITY AND LIABILITIES	**6,571,130**	**6,470,602**

2.01.05 Consolidated Statement of cash flows

Euro (thousands)	30-Sept-2012	30-Sept-2011
Earnings before tax	**147,072**	**156,235**
Adjustments to bring net income to cash flow from operating activities:		
Depreciation, and impairment losses of tangible fixed assets	100,066	93,397
Amortisation and impairment losses of intangible assets	75,100	76,601
Effect of valuation using equity method	-3,378	-4,676
Provisions	57,053	57,136
Financial (income) / expenses	98,901	88,989
(Capital gains) / Capital losses and other monetary items (including valuation of commodity derivatives	-30,045	-34,190
Change in provisions for contingencies and other liabilities	-16,947	-14,397
Change in the provision for the employee benefits	-4,855	-4,592
Total cash flow before change in net working capital	**422,967**	**414,503**
(Increase) / Decrease in inventories	-13,539	-47,216
(Increase) / Decrease in trade receivables	67,655	60,665
Increase / (Decrease) in trade payables	-211,012	-116,187
Increase / Decrease in other current assets/liabilities	45,537	-18,779
Change in working capital	**-111,359**	**-121,517**
Dividends received	3,923	2,317
Interest and other financial income received	14,665	13,661
Interest and other financial expenses paid	-98,007	-82,404
Tax paid	-61,684	-60,493
Cash flow generated/(absorbed) by investing activities (a)	**170,505**	**166,067**
Investments in tangible fixed assets	-86,439	-101,643
Investments in intangible assets	-99,268	-114,379
Investments in businesses and business lines net of cash	-1,854	-6,607
Sale price of intangible and tangible fixed assets	27,293	4,519
Disposal of non-consolidated equity investments	-1,916	0
(Increase) / Decrease in other investing activities	-4,061	4,730
Cash flow generated / (absorbed) by investing activities (b)	**-166,245**	**-213,380**
New issues of long-term financial debt	250,310	0
Repayments and other net financial debt changes	-60,639	-99,591
Finance lease rental payments	-2,551	-4,488
Dividends paid to Hera equity owners and non-controlling interests	-116,785	-117,242
Change in treasury shares in portfolio	360	-5,217
Other minor changes	0	-599
Cash flow generated (absorbed) by financing activities (c)	**70,695**	**-227,137**
Effect of exchange rates fluctuations on cash (d)	**0**	**0**
Increase / (Decrease) in cash (a+b+c+d)	**74,955**	**-274,450**
Cash and cash equivalents at the beginning of period	415,189	538,226
Cash and cash equivalents at end of period	490,144	263,776

2.01.06 Consolidated statement of changes in equity

	Share capital	Reserves	Reserves for derivative instruments valued at fair value	Profit for the year	Shareholder s' equity	Minority interest share	Total
As at 31 December 2010	**1.109.074**	**513.618**	**(12.407)**	**117.218**	**1.727.503**	**142.720**	**1.870.223**
Profit of the period				67.653	**67.653**	16.393	**84.046**
Other elements of comprehensive income as at 31 December 2011 :							
Change in the fair value of derivatives for the period			3.664		**3.664**	-241	**3.423**
Change in the Fair value of derivatives for the period for companies measured at equity		751			**751**		**751**
Total comprehensive profit for the period		**751**	**3.664**	**67.653**	**72.068**	**16.152**	**88.220**
Change in treasury shares in portfolio	(3.700)	(901)			**(4.601)**		**(4.601)**
componente equity bond convertibile		4.894			**4.894**		**4.894**
change in scope of consolidation		26			**26**	332	**358**
reimbursement of share capital of investees						(676)	**-676**
other movements		103			**103**	(17)	**86**
appropiation of the profits for 2010 :							
dividends paid out				(99.879)	**(99.879)**	(18.147)	**(118.026)**
- allocation of retained earnings to reserves		(6.839)		6.839	**0**		**0**
- allocation to other reserves		24.178		(24.178)	**0**		**0**
As at 30 september 2011	**1.105.374**	**535.830**	**(8.743)**	**67.653**	**1.700.114**	**140.364**	**1.840.478**

	Share capital	Reserves	Reserves for derivative instruments valued at fair value	Profit for the year	Shareholder s' equity	Minority interest share	Total
As at 31 December 2011	**1.105.340**	**535.591**	**(8.606)**	**104.590**	**1.736.915**	**142.431**	**1.879.346**
Profit of the period				70.169	**70.169**	9.473	**79.642**
Other elements of comprehensive income as at 31 December 2011 :							
Change in the fair value of derivatives for the period			2.359		**2.359**	(254)	**2.105**
Change in the Fair value of derivatives for the period for companies measured at equity		84			**84**		**84**
Total comprehensive profit for the period		**84**	**2.359**	**70.169**	**72.612**	**9.219**	**81.831**
Change in treasury shares in portfolio	(425)	785			**360**		**360**
change in scope of consolidation		80			**80**	703	**783**
other movements		(3)			**(3)**		**(3)**
appropiation of the profits for 2011 :							
dividends paid out		(16.925)		(82.397)	**(99.322)**	(14.642)	**(113.964)**
- allocation of retained earnings to reserves		16.773		(16.773)	**0**		**0**
- allocation to other reserves		5.420		(5.420)	**0**		**0**
As at 30 September 2012	**1.104.915**	**541.805**	**(6.247)**	**70.169**	**1.710.642**	**137.711**	**1.848.353**

2.02 Notes to consolidated financial statements

Basis of preparation and accounting policies

The consolidated quarterly report as at 30 September 2012 and interim operating statements have been prepared in compliance with article 154 *ter* of Legislative Decree 58/1998 and article 82 of Consob Regulation concerning the discipline of issuers. This report is unaudited.

This interim operating report has not been prepared in compliance with the provisions of the accounting standard concerning interim financial reports (IAS 34 "Interim financial reporting"). However, the accounting standards adopted for this report are the same as those used to prepare the consolidated financial statements at 31 December 2011 year ends, which should be referred to for full commentary.

In preparing of these interim financial statements, certain critical judgements and assumptions have been made that may have an effect on the value of revenue, costs, assets and liabilities stated in the financial statements and on disclosures relating to contingent assets and liabilities at the reporting date. If, in the future, such judgements and assumptions, which have been based on management's best estimates, should differ from actual events, then they will be adjusted accordingly for the purpose of providing a true representation of operations.

It should be noted that a number of measurement methods and, namely, the more complex ones involving determining impairment of non-current assets, are generally applied only for preparing the full annual report, unless there are signs of impairment that requires immediate valuation of the impairment losses.

Corporate income tax has been recognised on the basis of the best estimate of the weighted average tax rate assumed for the entire operating period.

The disclosures contained in this interim report are comparable with those for prior periods.

Specifically, when comparing individual items of the consolidated income statement and those of the consolidated financial position, account should be taken of the change in the scope of consolidation reported under the relevant section.

Financial Statements

These financial statements have adopted a similar presentation format to that adopted for the consolidated financial statements at 31 December 2011 year ends. Specifically, the format adopted for the consolidated income statement is "stepped", with the individual items analysed by type. We believe that this type of disclosure, which is also used by our major competitors and is in line with international practice, best represents the Group's results.

The consolidated statement of financial position makes the distinction between current and non-current assets and liabilities.

The consolidated comprehensive income statement reports income and expenses arising out of transactions with "non-shareholders" separately. All changes in question (in our case, the value of the effective portion of gains and losses on "cash flow hedge" instruments) have been reported separately. These changes have also been reported separately in the consolidated statement of changes in equity.

The consolidated cash flow statement has been prepared adopting the indirect method, in accordance with IAS 7. It should be noted that the structure of the consolidated cash flow statement has been changed compared to the previous period for the purpose of providing a clearer representation of cash flows from an operations, financial and investment standpoint. Following said improvement, for the purposes of consistency, the figures for the previous period have been reclassified so that data can be directly compared.

Unless otherwise stated, the financial statements contained in this interim report are all stated in thousands of Euros.

Scope of Consolidation

This interim report includes the financial statements of the Parent company Hera Spa and its subsidiaries. It also includes the financial statements of the companies in which the Group has joint control with other shareholders. Control is obtained when the Parent Company has the power to determine the financial and operational policies of an undertaking, in such a way as to obtain benefits from the undertaking's operations.

Subsidiaries which are not significant in size and those in which the exercise of voting rights is subject to severe, long-term restrictions have been excluded from line-by-line consolidation and have been recognised at cost. Equity interests representing long-term investments in associates, which are significant in size, are recognised at equity.

Companies held exclusively for subsequent disposal have been excluded from consolidation and measured at the lower of cost and fair value. These investments are reported as separate items.

Joint ventures, in which the Hera Group exercises joint control with other companies, have been consolidated proportionally, with line-by-line reporting of assets, liabilities, revenue and expenditure in proportion to the Group's share.

Changes in the scope of consolidation for the first nine months of 2012, compared to the consolidated financial statements at 31 December 2011 year ends, are shown below.

Subsidiaries

Consolidated companies	Companies no longer consolidated	Notes
Feronia Srl		Fully consolidated
Hera Servizi Cimiteriali Srl		Fully consolidated
Marche Multiservizi Falconara Srl		Fully consolidated
Sviluppo Ambiente Toscana Srl		Fully consolidated

On 31 January 2012, Herambiente Spa acquired a further 30% equity interest in Feronia Srl from Sorgea Srl, thereby increasing its holding to 70%. Following this change, the company has been consolidated using full consolidation method.

Hera Servizi Cimiteriali Srl, incorporated on 22 December 2010, became operational following transfer by Hera Spa of the business line concerning cemetery and funeral operations on 1 May 2012. The company previously valued at cost has now been fully consolidated.

Marche Multiservizi Spa, on 28 June 2012, passed a resolution for a capital increase from € 13,450,012.00 to € 13,484,242.00, reserved to the Municipality of Falconara Marittima that was released via transfer of 100% of the holding in Marche Multiservizi Falconara Srl. Following this transaction, Marche Multiservizi Falconara Srl has been fully consolidated and the equity interest in Marche Multiservizi Spa has fallen from 40.64% to 40.54%. This transaction has also had effects on the holding in Hera Comm Marche Srl that decreases from 69.37% to 69.34%.

Hera spa and Herambiente Spa, on 7 February 2012, incorporated the company Sviluppo Ambiente Toscana Srl for 95% and 5% of the share capital, respectively. This company, since it has become operational, has been fully consolidated.

Jointly controlled companies

Consolidated companies	Companies no longer consolidated	Notes
	FlameEnergy Trading Gmbh	consolidated using equity method

FlameEnergy Trading GmbH. Commencing from October 2011, members have decided on significant downsizing of the company's operations. As a result, the company is now valued using the equity method.

Associated Companies

New companies valued using equity method	Companies no longer valued using equity method	Notes
	Feronia Srl	Fully consolidated
FlameEnergy Trading Gmbh		Fully consolidated
Q.Thermo Srl		Fully consolidated

Commentary on Di Feronia Srl and FlameEnergy Trading GmbH has already been provided in the previous paragraphs.

On 16 May 2012, Sviluppo Ambiente Toscana Srl and Quadrifoglio Spa, incorporated Q.Thermo Srl, holding 40% and 60% of share capital, respectively. The company has as its object the engaging of all operations necessary for creating a WTE plant for generating electricity, located in the municipality of Fiorentino (Fi), at Case Passerini.

Changes to the scope of consolidation

Hera Energie Rinnovabili Spa acquired the entire share capital of the following companies:

- Amon Srl, on 8 February 2012
- Esole Srl, on 8 February 2012
- Ctg Ra Srl, on 8 March 2012;
- Juwi Sviluppo Italia 02 Srl, on 1 march 2012

Which have as their corporate object the creation, management, maintenance and electricity generation from photovoltaic installations which they own, located in the municipalities of Copparo (Fe), Alfianello (Bs), Faenza (Ra) and Petriolo (Mc), respectively. On 28 June 2012, said companies were merged by incorporation into Hera Energie Rinnovabili Spa, with effective date 1 January 2012.

With effective date 1 January 2012, Acantho Spa acquired more than 600 customers from Geosat Srl, a Bologna-based company operating in Romagna and part of the Marche regions, providing wireless internet and service provider services. Specifically, the transferred business line has as its object the provision of internet network connections via board band wireless connectivity in the areas of provinces of Forlì, Cesena, Ravenna, Rimini and Pesaro-Urbino.

Lists of companies that are part of the scope of consolidation are shown in the final pages of these Notes.

Other disclosures

This interim operating report as at 30 September 2012 was submitted for approval by the Board of Directors on 13 November 2012.

2.03 Consolidated financial debt

Euro (millions)		30-Sept- 12	31-Dec-11
a	**Cash and cash equivalents**	**490.1**	**415.2**
b	**Other current loans**	**45.1**	**42.9**
	Bank overdrafts	(61.20)	(78.80)
	Current portion of bank debt	(37.60)	(39.10)
	Other current financial liabilities	(0.50)	(0.50)
	Finance leasing payables falling due over 12 months	(3.20)	(3.70)
c	**Current financial debt**	**(102.50)**	**(122.10)**
d=a+b+c	**Net current financial debt**	**432.7**	**336.0**
e	**Non-current loans**	**14.3**	**11.0**
	Non-current bank debt and bonds issued	(2,558.50)	(2,328.80)
	Other non-current financial liabilities	0	0
	Finance leasing payables falling due over 12 months	(3.40)	(5.30)
f	**Non-current financial debt**	**(2,561.90)**	**(2,334.10)**
g=e+f	**Net non-current financial debt**	**(2,547.60)**	**(2,323.10)**
h=d+g	**Net financial debt**	**(2,114.90)**	**(1,987.10)**

2.04 Equity interests

Controlled companies

Name	Registered office	Share capital	Percentage held		Total equity interest
			direct	indirect	
Parent: Hera Spa	**Bologna**	**1.115.013.754**			
Acantho Spa	Imola (Bo)	22,500,000	79.94%		79.94%
Acque Srl	Pesaro	102,700		40.54%	40.54%
Akron Spa	Imola (Bo)	1,152,940		43.13%	43.13%
ASA Scpa	Castelmaggiore (Bo)	1,820,000		38.25%	38.25%
Consorzio Akhea Fondo Consortile	Bologna	200,000		59.38%	59.38%
Eris Scrl	Ravenna	300,000		51.00%	51.00%
Famula On-line Spa	Bologna	4,364,030	100.00%		100.00%
Feronia Srl	Finale Emilia (Mo)	2,430,000		52.50%	52.50%
Frullo Energia Ambiente Srl	Bologna	17,139,100		38.25%	38.25%
Gal.A. Spa	Bologna	300,000		45.00%	45.00%
HeraAmbiente Spa	Bologna	271,148,000	75.00%		75.00%
Hera Comm Srl	Imola (Bo)	53,136,987	100.00%		100.00%
Hera Comm Marche Srl	Urbino (Pu)	1,977,332		69.34%	69.34%
Hera Energie Srl	Bologna	926,000		51.00%	51.00%
Hera Energie Rinnovabili Spa	Bologna	1,832,000	100.00%		100.00%
Hera Luce Srl	San Mauro Pascoli (Fc)	1,000,000	89.58%		89.58%
Hera Servizi Cimiteriali S.r.l.	Bologna	20,000	100.00%		100.00%
Hera Servizi Funerari S.r.l	Bologna	10,000	100.00%		100.00%
Herasocrem Srl	Bologna	100,000	51.00%		51.00%
Hera Trading Srl	Imola (Bo)	22,600,000	100.00%		100.00%
Marche Multiservizi Spa	Pesaro	13,484,242	40.54%		40.54%
Marche Multiservizi Falconara Srl	Falconara Marittima (An)	90,000		40.54%	40.54%
Medea Spa	Sassari	4,500,000	100.00%		100.00%
MMS Ecologica Srl	Pesaro	95,000		40.54%	40.54%
Naturambiente Srl	Pesaro	50,000		40.54%	40.54%
Nuova Geovis Spa	Sant'Agata Bolognese (Bo)	2,205,000		38.25%	38.25%
Romagna Compost Srl	Cesena (Fc)	3,560,002		45.00%	45.00%
Sinergia Srl	Forlì (Ce)	579,600		59.00%	59.00%
Sotris Spa	Ravenna	2,340,000	5.00%	52.50%	57.50%
Sviluppo Ambiente Toscana Srl	Bologna	10,000	95.00%	3.75%	98.75%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%

Jointly controlled companies

Name	Registered office	Share capital	Percentage held		Total equity interest held
			direct	indirect	
Enomondo Srl	Faenza (Ra)	14,000,000		37.50%	50.00%

Associated companies

Name	Registered office	Share capital	Percentage held		Total equity interest held
			direct	indirect	
Aimag Spa*	Mirandola (Mo) *	78,027,681	25.00%		25.00%
FlameEnergy Trading Gmbh	Vienna	3,000,000		50.00%	50.00%
Ghirlandina Solare Srl	Concordia Sulla Secchia (Mo)	60,000		33.00%	33.00%
Modena Network Spa	Modena	3,000,000	14.00%	23.98%	37.98%
Oikothen Scarl in liquidazione	Siracusa	63,332	46.10%		46.10%
Q.Thermo Srl	Firenze	10,000		39.50%	39.50%
Refri Srl	Reggio Emilia	6,800,000		15.00%	15.00%
Set Spa	Milano	120,000	39.00%		39.00%
So.Sel Spa	Modena	240,240		26.00%	26.00%
Sgr Servizi Spa	Rimini	5,982,262		29.61%	29.61%
Tamarete Energia Srl	Ortona (Ch)	3,600,000	32.00%		32.00%

* The share capital of the company is formed by € 67,577,681 ordinary shares and by € 10,450,000 performance-based shares.

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