

- **2012**
- quarterly
- (a) report
- as at 31st March



Introduction

Mission

Key financial information

Introduction

Strategic approach

Business Sectors

Share Performance

1 Directors' Report

1.01 Hera Group performance as at 31 March 2012

1.01.01 Financial and economic results

- 1.02 Investments
- 1.03 Analysis by business segment

1.03.01 Gas segment

1.03.02 Electricity segment

1.03.03 Integrated water cycle segment

1.03.04 Waste management segment

1.03.05 Other services segment

- 1.04 Analysis of net financial position
- 1.05 Human resources

2 Financial statements and explanatory notes

2.01 Consolidated financial statements

2.01.01 Income statement

2.01.02 Aggregate income statement

2.01.03 Earnings per share

2.01.04 Statement of financial position

2.01.05 Cash flow statement

2.01.06 Statement of changes in shareholders' equity

- 2.02 Consolidated explanatory notes
- 2.03 Consolidated net financial debt
- 2.04 Equity investments



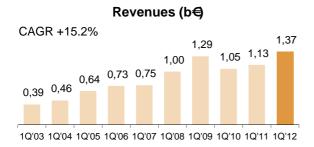
Mission

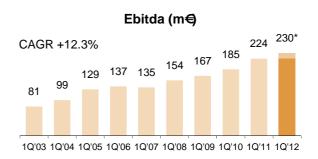
Hera's goal is to be the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates, while respecting the local environment.

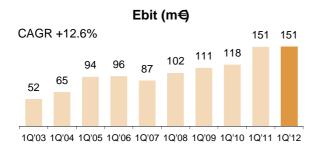
"For Hera, being the best means inspiring the pride and trust of: customers, who, thanks to Hera's responsiveness to their needs, receive quality services that satisfy their expectations; the women and men who work at Hera, whose skills, engagement and passion are the foundation of the company's success; shareholders, confident that the company will continue to generate economic value, whilst fully respecting 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".

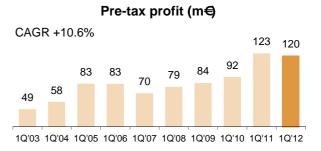


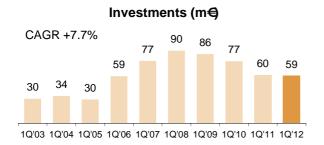
Key financial information

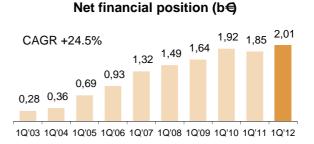












^{*}The EBITDA for the first quarter of 2012, reported as €225 million in the Quarterly Report, was made homogeneous with the figure for the first quarter of 2011 with an adjustment of approximately €5 million, equal to the effect of the CIP6 incentive expiring in November 2011 and relative to the waste-to-energy plant in Bologna.

Introduction

The first quarter of 2012 was characterised by a worsening of the Italian economy, which fell into a recession. The estimated data for the first quarter show a significant drop in family consumption and investment, associated with the higher tax burden as a result of austerity measures adopted by the government and an increase in inflation to 3.3%. Consequently, industrial production levels dropped by 2.6%, with an even more marked decrease in orders (-9.7%). In this difficult domestic situation, the Hera Group had forecast positive, albeit modest EBITDA growth for the first quarter of 2012, with EBIT remaining pretty much the same compared to the same period of the previous year. The positive EBITDA result achieved during the quarter is even more remarkable considering that comparison with the figure for the same period of 2011 represents a particular challenge: the first quarter of 2011 was in fact the one that achieved the greatest increase (+ €39 million) since the Group's inception in 2002.

The result was ensured by a balanced mix of activities, including *regulated services*, where results are basically immune to the economic cycle, free-market *energy businesses*, managed with strategies that proved effective in counteracting the negative effects of the economic situation, and *waste treatment businesses* under free competition.

The businesses managed under concessions in energy distribution, urban waste collection and integrated water service contributed to the earnings growth achieved in the first quarter, primarily due to adjustments in keeping with tariff schemes. In water services, in particular, agreements reached with local authorities were applied, in force until year-end, in 50% of the areas serviced and until 2014-2015 in the provinces of Bologna and Modena.

Energy sales activities were able to rely on a solid sales structure, effective cross-selling and efficient customer service, continuing once again in the first quarter of 2012 to sustain growth in the customer base, which surpassed 500,000 units, and in sales volumes in the electricity sector (+2.7%). This more than offset the effect of the recession, which caused a 1.9% drop in average domestic demand during the quarter (Terna data). In the gas service, the customer base also remained basically the same at approximately 1.1 million units, with a 15.6% increase in sales and trading volumes, which more than offset the decrease in average domestic demand, amounting to 2.3% (SNAM data), and the effect of high temperatures in March.

The flexible electricity commodity procurement policies, resulting from contained development of its own electricity generating sources, were based on a significant diversified portfolio of bilateral supply contracts appropriately modulated with usage characteristics. These prudent policies allowed for achieving growth with positive operating margins, which more than offset the effect, in part temporary, of the negative differentials in the market price valuation of hedging derivatives. *Gas procurement activities*, through direct imports, trading and primarily annual supply contracts without take-or-pay clauses, ensured positive margins and growth compared to the first quarter of 2011. The results of the procurement activities also absorbed the increase in the negative differentials in the market price valuation of hedging derivatives intended to be reabsorbed in part during 2012.

The national economic situation, which had a negative impact on end production and consumption levels in Italy, affected waste treatment results. "Market volumes" suffered a contraction of approximately 11% both in terms of the volume of urban waste (approximately -5.1%) and in terms of the volume of industrial waste (approximately -17.4%). The reduction, especially in industrial waste, was also influenced by the extraordinary snowfalls in February, which hindered the use of landfill facilities.

In addition, *the contribution by waste treatment plants* during the first quarter discounted two different effects compared to the first quarter of 2011: the end of the CIP6 incentives (which expired at the end of November 2011) for the FEA plant (waste-to-energy plant in Bologna) and the non-recognition of green certificates for energy production from sources similar to renewable energy, used for own consumption at all new WTE plants.

The positive EBITDA achieved in the first quarter of 2012 is particularly remarkable considering the impact of the non-recurring or temporary exogenous factors described, which weighed on the quarter's earnings.

The financial situation in the first quarter also confirms the sound position recorded at the end of 2011. A slight increase in the net financial position (at €2,007 compared to €1,987 million at the end of 2011) is due to a seasonable increase in working capital (associated with billing for gas sold during the winter months). The cash generated during the period more than covered the investments made.

Strategic approach

Hera's strategy is focused on the creation of value through a multi-stakeholder approach and is aimed at achieving growth throughout all lines of development, both internal and external, benefiting from both economies of scale and potential synergies from mergers with multi-utility companies operating in the reference sectors.

Hera pursues *efficiency strategies* which leverage an innovative organisational model based on centralising several general functions and maintaining a strong local presence in the areas served.

The *development of markets with free competition* has always been one of the Group's key strategies and yielded significant results again in the first quarter of 2012, despite the economic recession in Italy. Particular emphasis has been placed on *cross-selling* of services to customers. Gaining market share in free energy and special waste treatment markets is supported by the plan for developing "major plants", which was fully operational in the quarter just ended. As far as regulated activities are concerned, the goal is still to consolidate our geographical footprint, increase asset ownership and take part in tenders in target regions and the surrounding areas.

Hera also pursues opportunities for development through external lines, both through multi-business combinations in nearby areas, and through active single-business companies integrated upstream from deregulated activities. The *multi-business* development line concentrates on businesses operating in areas adjacent to the target region, which allow for improved economies of scale to develop operational efficiency processes. These are the criteria which led Hera to acquire a 25% stake in Aimag. The strategic goal of pursuing *single-business* operations is to strengthen both waste treatment activities, taking advantage of favourable market conditions, and energy sector activities, to develop sales through a balanced integration policy upstream of electricity generation.

Hera sets out its strategic goals in a business plan which is updated every year; the last update was the 2011-2015 business plan, put forward in November 2011, which proposes continuing with the strategies described and, based on the solid foundations laid down, improving the economic-financial results achieved to date. The forecasts depend on the efficiency processes already implemented, the plants in operation and the continuation of expansion strategies in deregulated markets. The cash generated by these "organic" growth initiatives will allow for sustaining further plant development and for improving the financial position.

External expansion strategies remain a priority according to the usual growth plans in the multi-business sectors in surrounding areas and with single-business initiatives for free market activities at a national level. In support of these development directives, Hera has maintained its financial flexibility, which is among the best in the sector in question.

Business Sectors

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

The effectiveness and low risk profile, associated with this balanced multi-business approach, are particularly obvious if one notes the continued and uninterrupted growth in consolidated EBITDA over the years, even in a difficult year like 2011.

Hera is the leading national operator in the *waste management segment* by quantity of waste collected and treated: urban waste collection activities are regulated according to a concession, while waste disposal is a free market business. Tariffs in 2008-2012 have, on the whole, already been agreed with local authorities.

The fleet of plants, which has been expanded over the last few years, boasts about 80 plants which meet national standards for excellence and are capable of covering the entire range of waste treatment and recycling.

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, or approximately 1 million tonnes/year. Herambiente S.p.A., a company set up in July 2009, 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.

In light of the insufficient infrastructures in the waste treatment sector in Italy, which culminated in the waste emergency, firstly in Campania and then in Sicily, invitations to tender were put out for the construction of new WTE plants in several Italian regions. Herambiente won the tender for the construction and management of a new WTE plant in Case Passerini, in the province of Florence.

The Hera Group is the second-biggest operator in Italy in the management of the *integrated water cycle,* from the collection and purification of waste water to the distribution of drinking water. Hera is the only operator to carry out this service in seven provinces in Emilia-Romagna and in the north of Le Marche, on the basis of long-term concessions. The tariffs and investments for the 2008-2012 period have already been agreed and signed with the local authorities in all of the areas involved.

Increased efficiency in the management of more than 27,000 kilometres of water networks, economies of scale in purchasing, and the adjustment of 2008-2012 tariffs to comply with regulations are the main drivers of growth, together with the contribution coming from the growth of external lines.

Hera covers virtually the entire target region in the *gas sector*, is the largest "local" operator and is ranked fourth in Italy in terms of volumes distributed. With over 1.1 million customers, Hera sells more than 3.3 billion m³ of gas per year.

The Group has a flexible and diversified portfolio of supply sources, including foreign sources, thanks to the TAG international gas pipeline with a transportation capacity of some 500 million m³ of gas, in addition to which there will be annual capacity of 1 billion m³ through the Galsi pipeline to be built in the future between Italy and Algeria.

Since its inception, Hera has pursued a "dual fuel" commercial strategy which allows the *electricity* market to be developed at steady growth rates through cross-selling to existing customers and expansion into new markets. In this sector, Hera is among the top eight national players with a customer base exceeding 500,000 units.

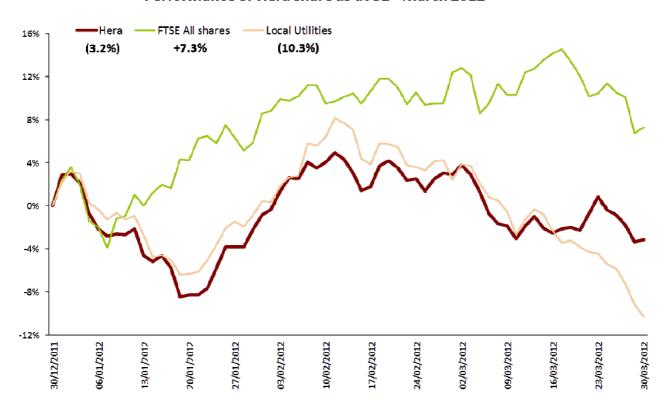
This significant commercial development has gone hand in hand simultaneously with prudent development of energy supplies by setting up joint ventures for buying stakes in combined cycle plants and the development of its own cogeneration and generation plants operating on renewable or similar sources.

As far as energy activities are concerned, Hera is distinguished by its prudent and flexible energy commodity (gas and electricity) procurement policy. This policy has proved to be particularly effective following the overhaul of the Italian markets due to the recent economic crisis, as well as the sharp growth in the availability of resources.

Share performance

The FTSE Italia All-Share Index ended the first quarter of 2012 up by 7.3%. The Italian local utilities index fell by 10.3%, while Hera's share price dropped by 3.2% from the start of the year, reaching an official price of €1.06. Performance was negatively affected by the situation in financial and utilities markets. The quarter ended with the share price remaining above average for the sector, buoyed by positive earnings beating the average by comparable companies.

Performance of Hera share as at 31st March 2012

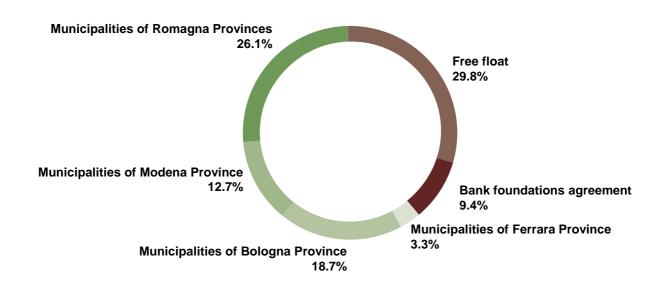


Hera's shares are *covered* by analysts at 12 independent firms, of which six are foreign. These firms are: Alpha Value, Banca Akros, Banca Aletti, Banca IMI, Centrobanca, Cheuvreux, Deutsche Bank, Equita, Exane, Intermonte, Kepler and Mediobanca. Hera shares are included among the best picks or best investment opportunities for 2012 by several firms, including: Equita, Banca IMI, Deutsche Bank, Kepler and Cheuvreux.

The Group's financial position is assessed by the world's two biggest credit rating agencies: Standard & Poor's and Moody's. On 30 September 2011, Standard & Poor's confirmed its rating for Hera's long-term debt at BBB+ with a stable outlook, while Moody's downgraded its credit rating on 26 January 2012 to Baa1 (from A3) with a negative outlook (from stable) as a result of Italy's worsening financial situation. These ratings did not taking into consideration the 2011 annual results, published at the end of March 2012, which showed the Group's significant EBITDA growth and its continuing sound financial position (2011 Debt/EBITDA of 3.1x), whereby it stands out from the rest of the sector in Italy.

Following the mergers by incorporation, the *share capital* consists of 1,115,013,754 ordinary shares, each with a nominal value of €1.

Hera's ownership structure is unique in the Italian utilities sector, with shareholders spread out at over 190 local public institutions, which have a combined stake of around 61% (of which 51% is bound by a shareholders' pact), plus more than 400 Italian and foreign institutional investors and about 20,000 private shareholders.



Since 2006, Hera has adopted a *share buyback plan* with a maximum limit of 15 million shares for a total amount of up to €60 million aimed at financing a possible opportunity for integrating small companies and normalising any irregular fluctuations in share prices compared to those of the main domestic competitors. The Shareholders' Meeting of 27 April 2012 extended the share buyback plan for another 18 months for a maximum limit of 25 million shares and a maximum amount of €40 million.

The main *communication* tool has undoubtedly been the Group's website (www.gruppohera.it). In 2011, Hera rose for the third consecutive year in the 2011 *Webranking* by Hallvarsson & Halvarsson among the institutional sites of the top 150 listed companies. In the early months of 2012, more than 92 meetings were held with Italian and international investors at the time of the presentation of the 2011 annual results to the financial community.

directors' report

1.01 Group performance as at 31 March 2012

Consolidated summary

(millions of euros)	31-Mar-11	% weight	31-Mar-12	% weight	Change %
Revenue	1,126.9		1,373.9		+21.9%
EBITDA	224.3	19.9%	224.7	16.4%	+0.2%
EBIT	151.3	13.4%	151.4	11.0%	+0.1%
Net Profit	74.5	6.6%	69.8	5.1%	-6.3%

1.01.01 Financial and economic results

At the end of the first quarter of 2012, in spite of the difficult economic climate continuing, the Hera Group performance was in line with the first three months of 2011 although net profit was lower as it was affected by the impact of higher financial operations costs and a greater tax burden. The different performance of the business areas will be described in more detail later on.

Greater volumes of gas, heat and electricity were sold and water distributed, while smaller volumes of waste were disposed of.

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

Lastly, the following events should be noted compared with the first quarter of 2011:

- In July 2011, Hera Comm Marche incorporated Sadori Gas, which has a customer portfolio of more than 34,000 contracts and is capable of producing and selling more than 47 million cubic metres of gas per year, distributed throughout 42 municipalities in the provinces of Pesaro-Urbino, Ancona and L'Aquila.
- Hera Spa expanded its gas distribution service activities by winning the public tender for the municipality of
 Formignana (FE) from 1 July 2011 and by acquiring the networks of the municipalities of Pievepelago,
 Riolunati and Fiumalbo (Mo) from 1 June 2011; annual volumes distributed will rise to approximately 4
 million cubic metres.
- In February 2012, Hera Energie Rinnovabili purchased 100% of four companies (Amon Srl, Esole Srl, Juwi Sviluppo Italia- 02 Srl and CTG RA Srl) operating in the electricity production industry, each with a 1 MWh onshore photovoltaic plant.
- Since February 2012, the Herambiente Group has fully consolidated Feronia Srl which manages a landfill in the municipality of Finale Emilia (MO).

As seen from the previous financial statements, the Consolidated Income Statement applies the interpretation of the IFRIC 12 accounting principle "Service Concession Arrangements" which has modified the accounting method for transactions for businesses operating in industries regulated by specific concessions. At an accounting level, the impact of the application of this principle, whilst not changing the results, has meant that investments in assets under concession (network services) are reported in the income statement. Therefore, the income statement in the first quarter of 2012 shows an increase in other operating income of €26.5 million and €26.7 million for the first three months of 2011, lower capitalised costs of €7.5 million in 2012 and €8.3 million in 2011 and increased operating costs for services, materials and other operating costs of €19.0 million in 2012 and €18.3 million in 2011.

The table below contains the financial results for the first quarter of 2011 and 2012:

Income Statement (m/€)	31-Mar-11	% weight	31-Mar-12	% weight	Abs. change	Change %
Revenue	1,126.9	0.0%	1,373.9	0.0%	+247.0	+21.9%
Other operating income	41.6	3.7%	40.9	3.0%	-0.7	-1.7%
Raw materials and other materials	(656.0)	-58.2%	(874.4)	-63.6%	+218.4	+33.3%
Service costs	(198.4)	-17.6%	(214.7)	-15.6%	+16.3	+8.2%
Other operating costs	(7.5)	-0.7%	(8.9)	-0.6%	+1.4	+18.6%
Personnel costs	(94.0)	-8.3%	(96.9)	-7.1%	+2.9	+3.1%
Capitalised costs	11.7	1.0%	4.9	0.4%	-6.8	-58.2%
EBITDA	224.3	19.9%	224.7	16.4%	+0.4	+0.2%
Depreciation, amortisation and provisions	(73.0)	-6.5%	(73.4)	-5.3%	+0.4	+0.5%
Operating profit (EBIT)	151.3	13.4%	151.4	11.0%	+0.1	+0.1%
Financial operations	(28.2)	-2.5%	(31.0)	-2.3%	+2.8	+9.9%
Pre-tax profit	123.1	10.9%	120.3	8.8%	-2.8	-2.3%
Tax	(48.6)	-4.3%	(50.6)	-3.7%	+2.0	+4.1%
Net profit for the period	74.5	6.6%	69.8	5.1%	-4.7	-6.3%

EBITDA rose from €224.3 million in the first quarter of 2011 to €224.7 million in the first three months of 2012 (+0.2%), EBIT rose from €151.3 million to €151.4 million; pre-tax profit fell by 2.3% from €123.1 million to €120.3 million; net profit went from €74.5 million at 31 March 2011 to €69.8 million for the same period in 2012.

Revenue increased by €247.0 million, up 21.9% going from €1,126.9 million at 31 March 2011 to €1,373.9 million in 2012. The main reasons are: (i) greater revenues and volumes of gas distributed and sold, also as a result of the increase in the price of raw materials; (ii) greater volumes of electricity sold; (iii) greater administration revenue for the integrated water service.

The increase in the cost of raw materials and other materials, equal to €218.4 million compared with the previous year, is attributable to the higher volumes of gas and electricity sold and the increase in the price of raw materials, as mentioned previously.

Other operating costs (Costs for services increased by €16.3 million and Other operating costs increased by €1.4 million), increased overall by €17.7 million (+8.6%); more than 90% of the increase is attributable to greater electricity and gas delivery costs for the higher volumes sold; the remainder is due to inflation dynamics.

The increase in Personnel costs, which went from €94.0 million at 31 March 2011 to €96.9 million at 31 March 2012 (+3.1%), is mainly related to the development of contract dynamics.

The decrease in Capitalised costs, which went from €11.7 million to €4.9 million, is mainly connected to the decrease in work on plants and works by Group companies, particularly the completion of the new waste to energy plants.

Group consolidated EBITDA for the first quarter of 2012 grew, going from €224.3 million to €224.7 million (+0.2%) thanks to the good performance in the gas segment, which went from 44.2% to 50.9% of the total results, and also in the water cycle segment.

Depreciation, amortisation and provisions increased 0.4% going from €73.0 million for the first three months of 2011 to €73.4 million for the same period in 2012. The change is mainly due to the greater provisions made for bad debts and the depreciation, amortisation and provisions for new companies coming under the consolidation scope, offset by lower provisions for risks.

Operating profit (EBIT) in the first three months of 2012 stood at €151.4 million, essentially in line with the first quarter of 2011, for the reasons described previously.

The Financial Operations result at 31 March 2012 was equal to €31.0 million, a rise of 9.9% compared with €28.2 million for the first quarter of 2011. The greater expenses are due to both an increase in average debt and an increase in the spreads recorded in the previous period.

In the light of the above, Pre-tax profit went from €123.1 million at 31 March 2011 to €120.3 million in 2012, with a 2.3% decrease entirely attributable to financial operations.

Tax went from €48.6 million to €50.6 million. The tax rate of 42%, a 2.5% rise compared with the same period in the previous year, is mainly due to the increase in the Robin Hood Tax and IRAP applicable to concessionary companies.

Net Profit at 31 March 2012 stood at €69.8 million, a fall of 6.3% compared with the figure of €74.5 million for 31 March 2011, as a result of the increased financial costs already mentioned and the higher tax burden.

1.02 Investments

The Group's tangible and intangible investments totalled €58.9 million in the first quarter of 2012, compared to €59.8 million in the same period of the previous year.

The table below lists the investments before disposals, for the reference period, by business sector:

Total investment (m/€)	31-Mar-11	31-Mar-12	Abs. change	Change %
Gas segment	10.0	7.6	-2.4	-24.0%
Electricity segment	8.0	6.2	-1.8	-22.5%
Integrated water cycle segment	18.4	20.3	+1.9	+10.3%
Waste management segment	13.6	8.7	-4.9	-36.0%
Other services segment	3.1	2.5	-0.6	-19.4%
Central structure	6.7	13.6	+6.9	+103.0%
Total Operating Investments	59.8	58.9	-0.9	-1.5%
Total financial investments	0.0	0.0	+0.0	+0.0%
Total	59.8	58.9	-0.9	-1.5%

Investments in the **Gas** service were lower than in the same period of the previous year. Operations in the Gas service in the reference area refer to network extensions, improvements and upgrading of networks and distribution systems. District heating includes the works of extending the network in the areas of Bologna (€0.4 million), Imola (€1.1 million), Forlì Cesena (€0.4 million), Ferrara (€0.3 million) and Modena (€0.1 million). Investment in Heat Management relates to structural interventions in heating systems run by Group companies.

Gas(m/€)	31-Mar-11	31-Mar-12	Abs. change	Change %
Networks	6.5	5.1	-1.4	-21.5%
District Heating/Heat Management	3.5	2.4	-1.1	-31.4%
Other	0.1	0.1	+0.0	+0.0%
Gas Total	10.0	7.6	-2.4	-24.0%

Investments in the **Electricity** service were mainly aimed at the extension of the service, extraordinary maintenance on distribution networks and plants around Modena and Imola, and network support services. Investments in the area also fell compared with the same period in the previous year because the undertaking to replace existing meters with electronic meters, in order to comply with the AEEG (Italian Authority for Energy and Gas) approved plans, came to an end. Investments in electricity and heat production plants (CCGT) refer to the completion of the Imola CHP plant, while industrial cogeneration activities relate to creating new plants for companies in the area.

Electricity(m/€)	31-Mar-11	31-Mar-12	Abs. change	Change %
Area	3.9	3.0	-0.9	-23.1%
CCGT Imola	3.2	3.1	-0.1	-3.1%
Industrial cogeneration	1.0	0.1	-0.9	-90.0%
Electricity Total	8.0	6.2	-1.8	-22.5%

As far as the **Integrated Water Cycle** is concerned, there was a considerable increase in operations at purification plants compared with the same period in the previous year. Investments mainly regard the extension, improvement and upgrading of networks and plants, in addition to regulatory compliance, particularly for purification and sewerage systems.

Integrated Water Cycle(m/€)	31-Mar-11	31-Mar-12	Abs. change	Change %
Mains water	9.5	9.8	+0.3	+3.2%
Purification	4.2	6.6	+2.4	+57.1%
Sewerage	4.7	3.9	-0.8	-17.0%
Total Integrated Water Cycle	18.4	20.3	+1.9	+10.3%

The **Waste Management** segment recorded growth compared with the previous year in maintenance and expansion activities for existing plants in the area. As far as investments in WTE are concerned, these decreased following the completion of the Rimini plant.

Waste Management (m/€)	31-Mar-11	31-Mar-12	Abs. change	Change %
Existing plants	6.4	8.7	+2.3	+35.9%
New plants:				
Modena WTE	0.2	0.0	-0.2	-100.0%
Rimini WTE	6.9	0.0	-6.9	-100.0%
Total Waste Management	13.6	8.7	-4.9	-36.0%

In the **Other Services** area, investments in Telecommunications and the Public Lighting service decreased compared with the same period in 2011; the item Other includes investments in cemetery services including the construction of the new crematorium (€0.4 million in the period).

Other Services (m/€)	31-Mar-11	31-Mar-12	Abs. change	Change %
TLC	2.8	2.0	-0.8	-28.6%
Public Lighting and Traffic lights	0.2	0.1	-0.1	-50.0%
Other	0.1	0.4	+0.3	+300.0%
Total Other Services	3.1	2.5	-0.6	-19.4%

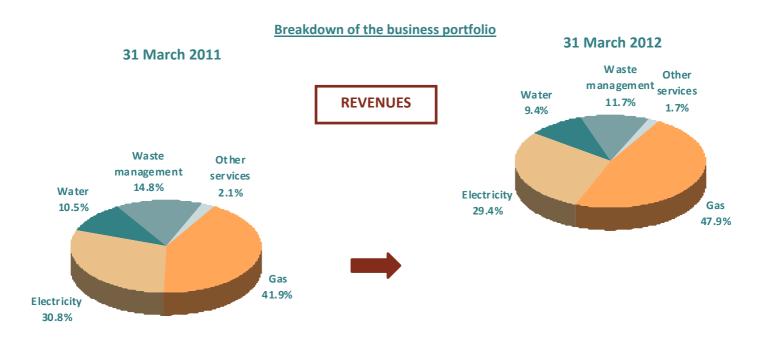
Investments in the Central Structure have increased overall, compared with the first quarter of 2011, through the effect of construction of new premises and maintenance of the fleet. Other investments include work on the completion of laboratories and remote-monitoring units.

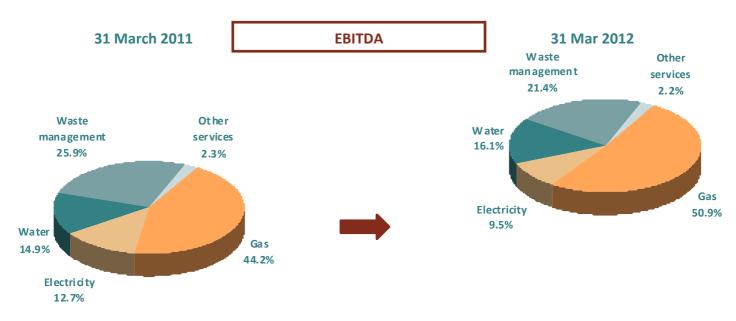
Central Structure (m/€)	31-Mar-11	31-Mar-12	Abs. change	Change %
Property	3.5	10.0	+6.5	+185.7%
Information systems	1.7	1.7	+0.0	+0.0%
Fleets	0.8	1.5	+0.7	+87.5%
Other investments	0.7	0.5	-0.2	-28.6%
Total Central Structure	6.7	13.6	+6.9	+103.0%

1.03 Analysis by Business Segment

A breakdown of the operating results achieved in the business segments in which the Group operates is given below: (i) the Gas sector, which includes methane gas and LPG distribution and sales services, district heating and heat management; (ii) the Electricity sector, which includes electricity production, distribution and sales services; (iii) the Integrated Water Cycle sector, which includes mains water, purification and sewage services; (iv) the Waste Management sector, which includes waste collection, treatment and disposal services; and (v) the Other Services sector, which includes Public Lighting, Telecommunications and other minor services.

In the light of the above, the breakdown and the development of Revenues and EBITDA over the years are shown in the graphs below:





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

The analysis by business segment takes into consideration the value of the increased revenues and increased costs, without an impact on EBITDA, relating to the application of IFRIC 12, as explained in the Group's Consolidated Income Statement. The business sectors affected by the application of the above principle are: methane gas distribution services, electricity distribution services, all integrated water cycle services and public lighting services.

1.03.01 Analysis of the Gas segment

At 31 March 2012, the Gas segment showed a considerable increase compared with the same period in the previous year, both in absolute terms and in percentage terms contributing to the Group's EBIDTA, reaching over 50%, as illustrated in the table below:

(m/€)	31-Mar-11	31-Mar-12	Abs. change	Change %
Area EBITDA	99.1	114.4	+15.3	+15.4%
Group EBITDA	224.3	224.7	+0.4	+0.2%
Percentage weighting	44.2%	50.9%	+6.7 p.p.	

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

Quantitative data	31-Mar-11	31-Mar-12	Abs. change	Change %
Gas volumes distributed (millions of m³)	1,115.8	1,132.0	+16.2	+1.5%
Gas volumes sold (millions of m³)	1,219.5	1,410.2	+190.7	+15.6%
- of which trading volumes	242.5	414.5	+172.0	+70.9%
Heat volumes supplied (Gwht)	253.1	266.7	+13.6	+5.4%

Volumes distributed went from 1,115.8 cubic metres for the first quarter of 2011 to 1,132.0 cubic metres in 2012, a growth of 1.5% in spite of the increase in volumes being below the national average (+2.2%).

Gas sales volumes went from 1,219.5 million cubic metres in 2011 to 1,410.2 cubic metres at 31 March 2012, an increase of 15.6% over the same period in 2011 as a result of the increase in traded volumes thanks to the extension of the wholesale portfolio and increased supplies at large consumption points, such as thermal power stations. The incorporation of Sadori Gas into Hera Comm Marche should be noted in terms of the contribution to the increase in volumes sold.

Volumes of heat supplied went from 253.1 GWht at 31 March 2011 to 266.7 GWht at 31 March 2012, with the 5.4% increase related to both lower average temperatures recorded in the first quarter of 2012, which resulted in increased heat consumption, and to more activations taking place during the second half of 2011.

The summary of the financial results for the segment is given below:

Income Statement (m/€)	31-Mar-11	% weight	31-Mar-12	% weight	Abs. change	Change %
Revenue	510.8		706.9		+196.1	+38.4%
Operating costs	(395.0)	-77.3%	(571.8)	-80.9%	+176.8	+44.8%
Personnel costs	(20.5)	-4.0%	(22.4)	-3.2%	+1.9	+9.3%
Capitalised costs	3.7	0.7%	1.7	0.2%	-2.0	-53.5%
EBITDA	99.1	19.4%	114.4	16.2%	+15.3	+15.4%

Revenues increased by 38.4%, from €510.8 million in the first quarter of 2011 to €706.9 million in 2012, as a result of increased sales revenue, linked to the increase in the cost of raw materials, greater traded volumes and higher revenues from distribution and greater volumes of heat sold in the district heating business.

Operating costs increased by 44.8% due to the increase in the cost of natural gas and increased traded volumes.

EBITDA for the Gas segment increased by €15.3 million, going from €99.1 million to €114.4 million, in spite of a fall in the percentage EBITDA from 19.4% at 31 March 2011 to 16.2% for 2012. The result for the area is attributable to increased gas sales margins, thanks to favourable contracts for purchasing raw materials and increased revenues from gas distribution and greater volumes of heat supplied.

1.03.02 Analysis of the Electricity Segment activities

At the end of the first quarter of 2012, the Electricity segment shows a fall compared with 2011, both in absolute terms and in the contribution to the Group's overall EBITDA, as seen in the table below:

(m/€)	31-Mar-11	31-Mar-12	Abs. change	Change %
Area EBITDA	28.5	21.4	-7.1	-25.1%
Group EBITDA	224.3	224.7	+0.4	+0.2%
Percentage weighting	12.7%	9.5%	-3.2 p.p.	

EBITDA went from €28.5 million at 31 March 2011 to €21.4 million in 2012, a fall of €7.1 million. This decrease is due, in the main, to hedging of electricity sales which, in 2011, in relation to the performance of the price of oil, produced a very positive assessment in the first quarter of 2011, gradually decreasing during the course of 2011.

The quantitative figures for the segment, which do not include trading activities, are given in the table below:

Quantitative data	31-Mar-11	31-Mar-12	Abs. change	Change %
Volumes sold (Gw/h)	2,542.9	2,612.3	+69.4	+2.7%
Volumes distributed (Gw/h)	583.2	561.4	-21.8	-3.7%

Volumes distributed fell by 3.7%, highlighting a slowdown in consumption, which is also reflected, to a lesser extent, in both the reference area of Emilia Romagna and Tuscany (-0.5%) and in the national average (-1.9%).

The increase in volumes sold, +2.7%, was caused by the good performance of commercial activities, as illustrated previously at the end of 2011, in spite of the fall in volumes distributed and the prevailing economic situation.

An analysis of the main segment results is given below:

Income Statement (m/€)	31-Mar-11	% weight	31-Mar-12	% weight	Abs. change	Change %
Revenue	375.1		433.7		+58.6	+15.6%
Operating costs	(342.7)	-91.4%	(407.9)	-94.1%	+65.2	+19.0%
Personnel costs	(6.8)	-1.8%	(6.1)	-1.4%	-0.7	-10.4%
Capitalised costs	2.9	0.8%	1.7	0.4%	-1.2	-41.9%
EBITDA	28.5	7.6%	21.4	4.9%	-7.1	-25.1%

Revenues climbed from €375.1 million for the first quarter of 2011 to €433.7 million for the same period of 2012, an increase of 15.6% due mainly to the higher sales volumes.

The increase in operating costs (+19.0%) is related to increased sales volumes and increased purchase costs of materials and electricity transmission. The effect, mentioned previously, of hedging the purchase of raw materials destined for sale in the first quarter of 2011 should be noted.

Activities involving renewable sources and industrial cogeneration contributed to EBITDA by 6.3% more than in the same period of the previous year, also thanks to the purchase of new companies operating in the photovoltaic industry.

At the end of the first quarter of 2012, as reported previously, EBITDA went from €28.5 million to €21.4 million.

1.03.03 Analysis of the Integrated Water Cycle activities

At the end of the first quarter of 2012, the Integrated Water Cycle segment was growing in economic and quantitative terms compared with the same period of the previous year:

(m/€)	31-Mar-11	31-Mar-12	Abs. change	Change %
Area EBITDA	33.4	36.1	+2.7	+8.1%
Group EBITDA	224.3	224.7	+0.4	+0.2%
Percentage weighting	14.9%	16.1%	+1.2 p.p.	

An analysis of the operating results in the segment is given below:

Income Statement(m/€)	31-Mar-11	% weight	31-Mar-12	% weight	Abs. change	Change %
Revenue	127.5		138.4		+10.9	+8.6%
Operating costs	(70.5)	-55.4%	(76.5)	-55.3%	+6.0	+8.5%
Personnel costs	(24.6)	-19.3%	(26.2)	-18.9%	+1.6	+6.5%
Capitalised costs	1.2	0.9%	0.3	0.2%	-0.9	-75.6%
EBITDA	33.4	26.2%	36.1	26.1%	+2.7	+8.1%

Revenues, equal to €138.4 million, increased by 8.6% compared with 31 March 2011, through the effect of increased revenues and volumes to cover the increased service management costs.

Operating costs increased by 8.5% compared with the same period in the previous year, and are related to: (i) the increase in energy costs for running the facilities for the entire integrated water service, (ii) the greater cost of raw materials (water) and (iii) the increased operating costs for more services provided.

The following table notes the main quantitative indicators in the segment.

	Quantitative data	31-Mar-11	31-Mar-12	Abs. change	Change %
Volumes sold (millions of m³)					
Mains water		56.4	58.3	+1.9	+3.4%
Sewerage		48.8	49.7	+0.9	+1.8%
Purification		48.9	49.7	+0.8	+1.6%

Volumes of water supplied were 3.4% higher than the first quarter of 2011, while for sewerage and purification, respectively, they grew by 1.8% and 1.6%.

EBITDA stood at €36.1 million at 31 March 2012, against €33.4 million the previous year, a percentage increase of 8.1% due to greater sales volumes and revenues covering the services supplied.

1.03.04 Analysis of the Waste Management Segment activities

The Waste Management Segment saw a fall in EBIDTA as illustrated in the table below:

(m/€)	31-Mar-11	31-Mar-12	Abs. change	Change %
Area EBITDA	58.0	48.0	-10.0	-17.2%
Group EBITDA	224.3	224.7	+0.4	+0.2%
Percentage weighting	25.9%	21.4%	-4.5 p.p.	

The Hera Group operates in an integrated manner throughout the entire waste cycle, with facilities that include 80 urban and special waste treatment and disposal plants.

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

Income Statement (m/€)	31-Mar-11	% weight	31-Mar-12	% weight	Abs. change	Change %
Revenue	180.1		172.5		-7.6	-4.2%
Operating costs	(88.3)	-49.0%	(87.6)	-50.8%	-0.7	-0.8%
Personnel costs	(37.4)	-20.7%	(37.8)	-21.9%	+0.4	+1.1%
Capitalised costs	3.5	1.9%	0.9	0.5%	-2.6	-74.1%
EBITDA	58.0	32.2%	48.0	27.8%	-10.0	-17.2%

Revenues at 31 March 2012 show a 4.2% fall compared with the same period of the previous year, going from €180.1 million to €172.5 million. The decrease is due to both lower revenues from the production of electricity, following the ending of the CIP6 incentive for Group waste to energy plants, and to lower volumes of waste disposed of.

The decrease in Capitalised costs is mainly connected to the decrease in work on plants and works by Group companies, particularly linked to the completion of the new waste to energy plants built.

Separate waste collection, in percentage terms of the total volumes collected, reached 49.5% for the first quarter of 2012 compared with 49.3% in the first three months of 2011.

Below is a breakdown on the volumes marketed and treated by the Group in the first quarter of 2012, compared with the same period in 2011:

Quantitative Data (thousands of tonnes)	31-Mar-11	% weight	31-Mar-12	% weight	Abs. change	Change %
Urban waste	413.6	30.5%	392.4	35.6%	-21.2	-5.1%
Market waste	404.6	29.9%	334.3	30.4%	-70.3	-17.4%
Commercialised waste	818.2	60.4%	726.7	66.0%	-91.5	-11.2%
Plant by-products	535.8	39.6%	374.4	34.0%	-161.4	-30.1%
Waste treated by type	1,354.0	100.0%	1,101.1	100.0%	-252.9	-18.7%
Landfills	287.6	21.2%	245.7	22.3%	-41.9	-14.6%
Waste to energy plants	249.4	18.4%	234.5	21.3%	-14.9	-6.0%
Selecting plants and others	74.0	5.5%	72.3	6.6%	-1.7	-2.3%
Composting and stabilisation plants	111.6	8.2%	109.9	10.0%	-1.7	-1.5%
Stabilisation and physicochemical treatment plants	277.3	20.5%	169.3	15.4%	-108.0	-38.9%
Other plants	354.2	26.2%	269.4	24.5%	-84.8	-23.9%
Waste treated by plant	1,354.0	100.0%	1,101.1	100.0%	-252.9	-18.7%

The analysis of quantitative data shows an 11.2% decrease in commercialised waste, due to both the fall in urban waste (-5.1%) and in market waste (-17.4%) following the difficult economic climate mentioned previously. The decrease in by-products from plants, on the other hand, needs to be put in the context of the weather conditions: specifically, the lower rainfall in the first quarter of 2012 compared with the same period in the previous year caused a lower production of leachate.

As far as waste disposal flows by plant are concerned, the general fall in waste impacts on all type of plants, but to a lesser extent on waste to energy, selecting and composting plants, thanks to the greater availability of facilities and to the development of separate recovery and collection activities.

EBITDA for the Waste Management segment decreased by €10.0 million compared with the previous year, going from €58.0 million in the first quarter of 2011 to €48.0 million in 2012. This result is attributable to the decrease in volumes disposed of and revenues from electricity production, as mentioned previously, in spite of the improved results in the urban sanitation business.

1.03.05 Analysis of the Other Services Segment activities

At the end of the first quarter of 2012, the result for the Other Services segment showed a slight decrease compared with the same period in the previous year, with EBITDA going from €5.2 million to €4.9 million for the same period in 2012, as shown in the table below:

(m/€)	31-Mar-11	31-Mar-12	Abs. change	Change %
Area EBITDA	5.2	4.9	-0.3	-5.6%
Group EBITDA	224.3	224.7	+0.4	+0.2%
Percentage weighting	2.3%	2.2%	-0.1 p.p.	

The table below summarises the main economic indicators for the segment:

Income Statement (m/€)	31-Mar-11	% weight	31-Mar-12	% weight	Abs. change	Change %
Revenue	25.6		25.6		+0.0	+0.0%
Operating costs	(16.0)	-62.6%	(16.4)	-64.0%	+0.4	+2.5%
Personnel costs	(4.7)	-18.5%	(4.6)	-17.8%	-0.1	-2.1%
Capitalised costs	0.4	1.5%	0.3	1.1%	-0.1	-25.9%
EBITDA	5.2	20.4%	4.9	19.2%	-0.3	-5.6%

The fall in Area EBITDA is due to the Public Lighting service, with the results for telecommunications and cemetery services in line with the first quarter of 2011.

The key operating indicators, given in the table below, highlight a fall in light points, due to the end of service concessions in some municipalities, one of the main ones being the municipality of Bologna, but no change in the number of municipalities thanks to new agreements.

Quantitative data	31-Mar-11	31-Mar-12	Abs. change	Change %
Public lighting				
Light points (thousands)	335.2	296.8	-38.4	-11.5%
Municipalities served	58.0	58.0	+0.0	+0.0%

1.04 Analysis of the Group's net financial position

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

millions of euros		31-Mar-12	31-Dec-11
а	Cash	436.5	415.2
b	Other current loans	89.7	39.1
	Bank overdrafts	-105.3	-48.3
-	Current portion of bank debt	-43.5	-57.7
	Other current financial liabilities	-59.3	-8.6
	Finance lease payables due within 12 months	-4.2	-3.7
С	Current financial debt	-212.3	-118.3
d=a+b+c	Net current financial debt	313.9	336.0
е	Non-current loans	13.2	10.9
	Non-current bank debt	-275.1	-277.1
	Bonds issued	-1,830.4	-1,829.7
	Other non-current financial liabilities	-224.1	-221.9
	Finance lease payables due after 12 months	-3.9	-5.3
f	Non-current financial debt	-2,333.5	-2,334.0
g=e+f	Net non-current financial debt	-2,320.3	-2,323.1
h=d+g	Net financial debt	-2,006.4	-1,987.1

Net financial position went from €1,987.1 million at 31 December 2011 to €2,006.4 million at 31 March 2012, recording an increase of approximately €19 million due mainly to transactions for purchasing plants (see photovoltaic plants). The indebtedness was mainly made up of medium/long-term borrowings. Hera Spa enjoys a long-term rating of "Baa1" issued by Moody's negative outlook and "BBB+" by Standard & Poor's, both with a stabile outlook.

1.05 Human resources

As at 31 March 2012, the Hera Group has 6,521 employees (consolidated companies) with the following breakdown by role: Senior managers (130), middle managers (357), office workers (3,393) and manual workers (2,641). This workforce was the result of the following changes: new hires (64), departures (27).

	31-Dec-11	31-Mar-12	Change
Senior Managers	125	130	5
Middle Managers	353	357	4
Office workers	3,353	3,393	40
Manual workers	2,653	2,641	-12
Total	6,484	6,521	37

The effective movements, in detail, were as follows:

Workforce as at 31 December 2011	6,484
Joined	64
Left	-27
Net Flows	37
Perimeter variations	0
Workforce as at 31 March 2012	6,521

Entries in the period are mainly due to:

- consolidation of contracts from temporary to permanent
- entry of professionals not present within the Group



2.01 Consolidated accounts

2.01.01 Consolidated income statement

thousands of euros	31- Mar-12	31-Mar-11	31-Dec-11
thousands of euros	3 months	3 months	12 months
Revenue	1,373,870	1,126,855	4,105,680
Other operating income	40,903	41,588	210,189
Consumption of raw materials and consumables	(874,394)	(655,972)	(2,440,086)
Service costs	(214,737)	(198,362)	(870,486)
Personnel costs	(96,943)	(93,956)	(369,996)
Depreciation, amortisation and provisions	(73,374)	(72,989)	(310,325)
Other operating costs	(8,861)	(7,530)	(39,830)
Capitalised costs	4,899	11,687	49,324
Operating profit (EBIT)	151,363	151,321	334,470
Share of profit (loss) pertaining to associated companies	1,343	1,505	6,260
Financial income	35,193	38,063	92,483
Financial expenses	(67,564)	(67,751)	(211,987)
Total financial management	(31,028)	(28,183)	(113,244)
Pre-tax profit	120,335	123,138	221,226
Tax for the period	(50,583)	(48,608)	(94,471)
of which non-recurring			7,567
Net Profit	69,752	74,530	126,755
Attributable to:			
Parent Company shareholders	65,283	66,828	104,590
Minority shareholders	4,469	7,702	22,165
Earnings per share			
basic	0.059	0.060	0.094
diluted	0.056	0.057	0.090

2.01.02 Consolidated aggregate income statement

thousands of euros	31-Mar-12	31-Mar-11	31-Dec-11
	3 months	3 months	12 months
Net profit/(loss) for the period	69,752	74,530	126,755
Change in fair value derivatives during the period	1,496	7,640	4,642
Tax impact relating to other components in the aggregate income statement	(406)	(2,164)	(1,216)
Change in fair value derivatives during the period relating to companies evaluated using the equity method	443	751	307
Total profit/(loss) for the period	71,285	80,757	130,488
Attributable to:			
Parent Company shareholders	66,785	72,048	108,698
Minority shareholders	4,500	8,709	21,790

2.01.03 Earnings per share

	2012	2011
	QI	QI
Profit (loss) for the period attributable to owners of ordinary shares of the Parent Company (A)	65,283	66,828
Interest paid relating to liability component of convertible bonds	599	613
Adjusted profit (loss) for the period attributable to owners of ordinary shares of the Parent Company (B)	65,882	67,441
Weighted average number of shares outstanding for the purposes of calculating earnings (loss) per share:		
- basic (C)	1,103,869,850	1,110,474,417
- diluted (D)	1,180,205,728	1,186,810,295
Earnings per share (in euros)		
- basic (A/C)	0.059	0.060
- diluted (B/D)	0.056	0.057

2.01.04 Consolidated statement of financial position

thousands of euros	31-Mar-12	31-Dec-11
ASSETS		
Non-current assets		
Tangible fixed assets	1,905,189	1,884,476
Intangible assets	1,807,385	1,802,521
Goodwill	377,903	377,760
Equity investments	138,957	135,865
Financial assets	13,296	11,039
Deferred tax assets	113,949	105,503
Derivative financial instruments	61,985	80,548
Total non-current assets	4,418,664	4,397,712
Current assets		
Inventories	25,929	72,761
Trade receivables	1,595,260	1,250,360
Contract work in progress	23,403	22,390
Financial assets	41,696	42,945
Derivative financial instruments	41,337	40,642
Current tax assets	3,638	6,164
Other current assets	225,045	211,833
Cash and cash equivalents	436,467	415,189
Total current assets	2,392,775	2,062,284
Non-current assets held for sale	10,533	10,606
TOTAL ASSETS	6,821,972	6,470,602

thousands of euros	31-Mar-12	31-Dec-11
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital and reserves		
Share capital	1,115,014	1,115,014
- Reserve for treasury shares (par value)	(11,144)	(9,674)
Reserves	554,755	537,538
- Reserve for treasury shares (over par value)	(4,094)	(4,008)
Reserve for derivative instruments at fair value	(7,547)	(8,606)
Retained earnings (losses)	89,877	2,061
Profit/(loss) for the period	65,283	104,590
Group equity	1,802,144	1,736,915
Minority interests	146,201	142,431
Total equity	1,948,345	1,879,346
Non-current liabilities		
Loans due after 12 months	2,385,921	2,405,262
Employee severance pay and other benefits	90,923	91,595
Provisions for risks and charges	232,933	227,055
Deferred tax liabilities	75,733	76,057
Finance lease payables due after 12 months	3,899	5,277
Derivative financial instruments	18,964	17,657
Total non-current liabilities	2,808,373	2,822,903
Current liabilities		
Bank borrowings due within 12 months	160,074	118,467
Finance lease payables due within 12 months	4,222	3,683
Trade payables	1,290,432	1,229,242
Current tax liabilities	94,453	36,998
Other current liabilities	461,867	332,253
Derivative financial instruments	54,206	47,710
Total current liabilities	2,065,254	1,768,353
TOTAL LIABILITIES	4,873,627	4,591,256
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,821,972	6,470,602

2.01.05 Consolidated Cash Flow Statement

thousands of euros	31-Mar-12	31-Mar-11
Earnings before tax	120,335	123,138
Adjustments to bring net income to cash flow from operating activities:		-
Depreciation, amortisation and losses in value of tangible fixed assets	31,804	30,083
Depreciation, amortisation and losses in value of intangible assets	24,894	25,142
Effect of valuation using the equity method	(1,343)	(1,505)
Provisions	16,946	17,982
Financial (income) / expenses	32,344	29,754
(Capital gains) / capital losses and other non monetary elements (including valuation of commodity derivatives)	(4,370)	(31,643)
Change in provisions for contingencies and other liabilities	(4,965)	(4,692)
Change in provisions for employee benefits	(1,425)	(1,493)
Total cash flow before changes in net working capital	214,220	186,766
(Increase) / decrease in inventories	45,839	19,620
(Increase) / decrease in trade receivables	(354,560)	(128,028)
Increase / (decrease) in trade payables	47,045	(84,909)
Increase / decrease in other current assets/liabilities	133,778	120,919
Change in working capital	(127,898)	(72,398)
Interest and other financial income received	5,000	5,551
Interest and other financial expenses paid out	(47,269)	(39,706)
Tax paid	(149)	(151)
Cash flow generated by operating activities (a)	43,904	80,062
Investments in tangible fixed assets	(28,930)	(29,277)
Investments in intangible assets	(29,538)	(30,508)
· ·		
Investments in businesses and divisions net of cash	(2,183)	(1,172
Sale price of intangible and tangible fixed assets	497	2,624
Disposal of non-consolidated equity investments	(1,921)	C
(Increase) / decrease in other investing activities	(452)	5,581
Cash flow generated/(absorbed) by investing activities (b)	(62,527)	(52,752)
Repayments and other net financial debt changes	46,312	(27,405)
Finance lease rental payments	(924)	(1,611)
Dividends paid to Hera shareholders and minority shareholders	(3,931)	(1,666)
Change in treasury shares in portfolio	(1,556)	2,121
Cash flow generated/(absorbed) by financing activities (c)	39,901	(28,561)
Effect of exchange rate fluctuations on cash (d)	0	(
Increase / (decrease) in cash (a+b+c+d)	21,278	(1,251)
	_	-
Cash and cash equivalents at the beginning of the period	415,189	538,226

2.01.06 Consolidated statement of changes in shareholders' equity

th accorded to a survival	Share capital	Reserves	Reserve for derivative instruments at	Profit for the period	Share- holders' equity	Minority interests	Total
thousands of euros Balance at 31 December 2010	1,109,074	513,618	fair value (12,407)	117,218	1,727,503	142,720	1,870,223
		,	() - /	, -	, ,	, -	,, -
Income for the period				66,828	66,828	7,702	74,530
Other components of comprehensive income at 31 March 2011:							
change in fair value derivatives during the period			4,469		4,469	1,007	5,476
change in fair value derivatives during the period, companies evaluated using the equity method		751			751		751
Total comprehensive income for the period		751	4,469	66,828	72,048	8,709	80,757
change in treasury shares in portfolio	1,400	720			2,120		2,120
convertible bond equity component	.,	4,894			4,894		4,894
other changes		(9)			(9)	(9)	(18)
Allocation of 2010 profit:					(3)	(5)	(10)
- dividends paid					0	(563)	(563)
- allocation to retained earnings		(6,839)		6,839	0	(555)	0
- allocation to other reserves		124,057		(124,057)	0		0
Balance at 31 March 2011	1,110,474	637,192	(7,938)	66,828	1,806,556	150,857	1,957,413
	Share capital	Reserves	Reserve for derivative instruments at fair value	Profit for the period	Share- holders' equity	Minority interests	Total
Balance at 31 December 2011	1,105,340	535,591	(8,606)	104,590	1,736,915	142,431	1,879,346
Income for the period Other components of comprehensive							
				65,283	65,283	4,469	69,752
income at 31 March 2012: change in fair value derivatives during the			1,059	65,283	65,283 1,059	4,469	69,752 1,090
income at 31 March 2012:		443	1,059	65,283	·		·
income at 31 March 2012: change in fair value derivatives during the period change in fair value derivatives during the period, companies evaluated using the		443 443	1,059 1,059	65,283 65,283	1,059		1,090
change in fair value derivatives during the period change in fair value derivatives during the period, companies evaluated using the equity method Total comprehensive income for the		443		·	1,059 443	31	1,090 443
change in fair value derivatives during the period change in fair value derivatives during the period, companies evaluated using the equity method Total comprehensive income for the				·	1,059 443	31	1,090 443
income at 31 March 2012: change in fair value derivatives during the period change in fair value derivatives during the period, companies evaluated using the equity method Total comprehensive income for the period change in treasury shares in portfolio change in consolidation area Allocation of 2011 profit:		443		·	1,059 443 66,785	4,500 523	1,090 443 71,285 (1,556) 523
income at 31 March 2012: change in fair value derivatives during the period change in fair value derivatives during the period, companies evaluated using the equity method Total comprehensive income for the period change in treasury shares in portfolio change in consolidation area Allocation of 2011 profit: - dividends paid		443		65,283	1,059 443 66,785 (1,556) 0	4,500	1,090 443 71,285 (1,556)
income at 31 March 2012: change in fair value derivatives during the period change in fair value derivatives during the period, companies evaluated using the equity method Total comprehensive income for the period change in treasury shares in portfolio change in consolidation area Allocation of 2011 profit:		(86)		65,283	1,059 443 66,785 (1,556) 0	4,500 523	1,090 443 71,285 (1,556) 523
income at 31 March 2012: change in fair value derivatives during the period change in fair value derivatives during the period, companies evaluated using the equity method Total comprehensive income for the period change in treasury shares in portfolio change in consolidation area Allocation of 2011 profit: - dividends paid		(86)		65,283	1,059 443 66,785 (1,556) 0 0	4,500 523 (1,253)	1,090 443 71,285 (1,556) 523 (1,253) 0

2.02 Explanatory notes

Accounting standards and principles

The Consolidated Quarterly Report for the three months to 31 March 2012 was prepared in accordance with Article 154-ter of Legislative Decree 58/1998 and Article 82 of the Consob Issuers' Regulation. This report has not been audited.

This interim report was not prepared in accordance with IAS 34 on 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, to which we refer for further information.

Preparing this interim report requires estimates and assumptions to be made concerning the value of income, expenditure, assets and liabilities and disclosures relating to contingent assets and liabilities at the reporting date. If, in future, such estimates and assumptions, which are based on the management's best estimate, should differ from actual events, they will be adjusted accordingly in order to give a true representation of operations.

It should also be noted that some measurement methods, particularly the more complex methods such as detecting any impairment of non-current assets, are generally applied only during the preparation of the annual financial statements, unless there are signs of impairment which require an immediate valuation of impairment losses.

Income taxes are recognised based on the best estimate of the weighted average rate for the entire financial year.

The disclosures contained in this interim report are comparable with those for prior periods. Specifically, note that the income statement figures for the first three months of 2012 have been reclassified in order to reflect and represent the work carried out by companies operating within the Group for the construction of plants and other facilities.

When comparing the individual items in the income statement and the statement of financial position, the change in the scope of consolidation described in that section must be taken into account.

Financial statements

The financial statements used are the same as those used for the consolidated financial statements at 31 December 2011. Specifically, the format used for the income statement must be "stepped", with the individual items analysed by nature. It is felt that this presentation, also used by the company's major competitors, is consistent with international practice and is the one that best represents the company's performance.

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

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

The statement of cash flows has been prepared using the indirect method, in accordance with IAS 7.

Unless otherwise stated, the financial statements contained in this interim report are all expressed 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 operating policies of a company in such a way as to benefit from its activities.

Subsidiary companies which are not significant in size and those in which voting rights are subject to severe long-term restrictions are excluded from the scope of line-by-line consolidation and are carried at cost. Equity interests representing long-term investments in associates which are significant in size are carried at equity.

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

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

Changes in the scope of consolidation in the first three months of 2012, compared with the situation at 31 December 2011 are shown below.

Subsidiary companies

Companies Companies consolid	Notes
Amon Srl	fully consolidated
Ctg Ravenna Srl	fully consolidated
Esole Srl	fully consolidated
Feronia Srl	fully consolidated (change in consolidation method)
Juwi Sviluppo Italia - 02 Srl	fully consolidated

On 31 January 2012, Herambiente Spa bought a further 30% of the share capital of Feronia Srl from Sorgea Srl, increasing its stake to 70%. Following this change the company has been consolidated using the full consolidation method.

On 8 February 2012 Hera Energie Rinnovabili Spa bought the entire equity investment in Amon Srl, Esole Srl, Juwi Sviluppo Italia-02 Srl and Ctg Ravenna Srl. The companies will be responsible for the creation, management, maintenance and production of electricity from photovoltaic plants located, respectively, in the municipalities of Copparo (Fe), Alfianello (Bs), Petriolo (Mc) and Faenza (Ra).

Jointly controlled companies

Consolidated Companies	Companies no longer consolidated	Notes
	FlameEnergy Trading Gmbh	consolidated using the equity method (change in consolidation method)

The company FlameEnergy Trading Gmbh, active since September 2006 in the wholesale gas market, also began operating on the Italian market from October 2007 restricted to the virtual exchange point (VEP), later expanding operations to modulated supplies to REMI with consequent access to storage. As of October 2011, in relation to the activation of the market balancing mechanism and the consequent increase in management complexity, the shareholders decided to confine the company's operations to the VEP and the Baumgarten hub. Following the significant decrease in operations, the company, consolidated through the proportional method until 31 December 2011, was evaluated using the equity method.

Associated companies

New companies valued using the equity method	Companies no longer valued using the equity method	Notes
	Feronia Srl	fully consolidated (change in consolidation method)
FlameEnergy Trading Gmbh		consolidated using the equity method (change in consolidation method)

The comments on the changes are given respectively in the sections "Subsidiary companies" and "Jointly controlled companies".

The lists of businesses that come under the scope of consolidation are given at the end of these notes.

Other information

In the first three months of 2012, no atypical or unusual transactions were performed, as defined in Consob Communication 6064293 of 28 July 2006.

This interim report as at 31 March 2012 has been submitted to the Board of Directors for approval on 15 May 2012.

2.03 Net financial debt

millions of euros		31-Mar-12	31-Dec-11
а	Cash	436.5	415.2
b	Other current loans	89.7	39.1
	Bank overdrafts	(105.3)	(48.3)
	Current portion of bank debt	(43.5)	(57.7)
	Other current financial liabilities	(59.3)	(8.6)
	Finance lease payables due within 12 months	(4.2)	(3.7)
С	Current financial debt	(212.3)	(118.3)
d=a+b+c	Net current financial debt	313.9	336.0
е	Non-current loans	13.2	10.9
	Non-current bank debt	(275.1)	(277.1)
	Bonds issued	(1,830.4)	(1,829.7)
	Other non-current financial liabilities	(224.1)	(221.9)
	Finance lease payables due after 12 months	(3.9)	(5.3)
f	Non-current financial debt	(2,333.5)	(2,334.0)
g=e+f	Net non-current financial debt	(2,320.3)	(2,323.1)
h=d+g	Net financial debt	(2,006.4)	(1,987.1)

2.04 Equity investments

Subsidiary companies

Name	Registered office	Share capital	Percentage held		Total interest
			direct	indirect	
Parent Company: Hera Spa	Bologna	1,115,013,754			
Acantho Spa	Imola (Bo)	22,500,000	79.94%		79.94%
Acque Srl	Pesaro	102,700		40.64%	40.64%
Akron Spa	Imola (Bo)	1,152,940		43.13%	43.13%
Amon Srl	Parma	10,000		100.00%	100.00%
ASA Scpa	Castelmaggiore (Bo)	1,820,000		38.25%	38.25%
Consorzio Akhea Fondo Consortile	Bologna	200,000		59.38%	59.38%
Ctg Ravenna Srl	Imola	10,000		100.00%	100.00%
Esole Srl	Milan	10,000		100.00%	100.00%
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		69.37%	69.37%
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 Funerari Srl	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%
Juwi Sviluppo Italia 02 Srl	Bolzano	10,000		100.00%	100.00%
Marche Multiservizi Spa	Pesaro	13,450,012	40.64%		40.64%
Medea Spa	Sassari	4,500,000	100.00%		100.00%
MMS Ecologica Srl	Pesaro	95,000		40.64%	40.64%
Naturambiente Srl	Pesaro	50,000		40.64%	40.64%
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%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%

Jointly controlled companies

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

Associated companies

Name	Registered office	Share capital	Percentage held		Total interest
			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	Syracuse	1,101,730	46.10%		46.10%
Refri Srl	Reggio Emilia	6,800,000		15.00%	15.00%
Set Spa	Milan	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 company's share capital consists of €67,577,681 in ordinary shares and €10,450,000 in performance shares



HERA S.p.A.
Holding Energia Risorse Ambiente
Sede legale: Viale Carlo Berti Pichat 2/4 40127 Bologna
tel. 051.287.111 fax 051.287.525
www.gruppohera.it
C.F./Partita IVA Registro Imprese BO 04245520376
Capitale Sociale int. vers. € 1.115.013.754 i.v.