



sustainability report 2008

“the facts and figures
behind our commitment ”

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Letter from the Chairman of the Board

The results achieved in 2008 and exactly detailed in the Sustainability Report confirm the validity of the strategy we have pursued as well as our ability to reach the targets presented at that time.

The coming on stream of plants developed in the waste management and energy sectors contributed to the positive financial results achieved. These plants fall within the plan for plant enhancement which will conclude at the end of 2009.

Also from the commercial point of view, our efforts and commitment were rewarded by more than satisfactory results: about 300 thousand electricity customers with sales volumes exceeding 5 terawatt-hours and excellent performance of commercial activities in the special waste sector.

These results were always pursued with a view to all the related implications. Since 2004, Hera has been a member of Global Compact, an international initiative aimed at obtaining consensus, supporting and applying certain fundamental principles relating to standards applying to work, human rights and environmental safeguards, and Hera continues to support this initiative today.

Discussing these results at this time is certainly delicate. We are all aware, and we see in our daily activities, that the world around us has been hit by a crushing crisis whose duration and intensity is still difficult to forecast.

Nonetheless, the Board of Directors decided to reconfirm, based on the soundness of the positive results achieved, its desire to continue with commitments proportionate to those which have made Hera's history.

This will require further effort on our part, an even greater commitment as compared to the past in order to be able to face such a delicate situation. However, we are certain that we will be able to achieve the targets we have set, and once again confirm Hera's positive contribution to the development of the local areas where it operates; a contribution which is illustrated in detail every year through the Sustainability Report.

Tomaso Tommasi di Vignano
Chairman of the Board of Directors

Letter from the Managing Director

Again this year, for the second consecutive year, the Sustainability Report is presented to the Shareholders' Meeting together with the Financial Statements. In this way, the Sustainability Report, in addition to being a company management tool, has the same status as the Financial Statements.

The Sustainability Report has been developed in order to respond to the expectations of all company stakeholders: the various sections of the Report present the projects, indicators, results and engagement activities for each single category of stakeholder. In each section, in addition, the targets stated in the previous reports are presented, along with the results achieved and the targets for the following years.

We adopted this working method several years ago in order to emphasise the fact that our Group, in addition to reaching financial targets, also includes among its strategic priorities the need to achieve results in terms of service quality and, more generally, in terms of attention to issues regarding sustainability.

As additional confirmation of this approach, many of the targets linked to sustainability and illustrated in this Report are integrated into the bonus system, at all levels.

I would like to highlight an additional aspect of this Report which I consider particularly important. In many cases, the results achieved by Hera are compared with obligations set forth by law, with the standards laid down by Regulatory Authorities or with the results of other companies.

In this way, we ensure that our stakeholders not only know whether we reach the targets we have set, but are able to compare our results with those of our competitors.

Specifically, a study conducted by the Mediobanca Research Department compared the results of companies controlled by the largest Italian municipalities. Hera took first place in many areas: investments in the water and waste management sectors, lack of gas network leaks, quick response in the event of problems with the gas network, and call centre waiting times.

All of this means that the investments made over the past few years in the various sectors in which the company operates have produced positive results, not only for shareholders, but also for customers and, more generally, for the local areas.

Maurizio Chiarini
Managing Director

The Report

Reading this Report

For the Hera Group, the Sustainability Report is a primary tool for reporting on its activities and results in the economic, environmental and social fields, as well as a fundamental tool for providing information to and dialoguing with stakeholders.

Hera's Sustainability Report provides the principles which guide our actions, the performance achieved, the objectives reached compared to stated and future objectives, the results of our dialogue with stakeholders and projects in the field.

Some of the technical terms used in this document are defined in the glossary in the last pages of the report.

Within the Report, particular importance was accorded to local projects.

This Sustainability Report, the seventh published by the Hera Group, can also be viewed on the internet site www.gruppohera.it, where it can be downloaded both in Italian and English.

The interactive version of the Report is available on the Group's website, in Italian and English, as well as on a USB key in a version including additional content and details. The key will also be enriched by other corporate documentation and details regarding the social responsibility of Hera.

We hope you enjoy reading our report!

The greenhouse gas emissions created by the use of paper for the preparation of this Sustainability Report have been neutralised through the acquisition of 4 VERs (Verified Emission Reductions), voluntary reductions deriving from the Progetto Boschi Azzero CO₂ in Italy. In particular, the neutralisation was carried out by participating in a reforestation project of a 10 hectare area belonging to the province of Ferrara, in the municipalities of Codigoro, Comacchio and Argenta. These interventions are part of the larger strategy implemented by the Province to increase the forests in the areas it is responsible for. This report was prepared with Ecolabel-certified 100% recycled ecological paper (Cyclus Print) and digital photographs.



Hera is a member of Impronta Etica, an association for promoting Corporate Social Responsibility.



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Drawing up this report

Standards

The Sustainability Report 2008 was drawn up on the basis of the AA1000 standard which provides the steps required for preparing social and sustainability reports.

The report content matter was selected in compliance with GRI and GBS guidelines, and taking into consideration the information deemed useful for corporate stakeholders. In this issue of the report, guideline G3 is used as a reference for the third year and the sectoral supplement dedicated to the Electric Utility sector (Pilot Version) was used for the first time this year.

The G3 Reporting Guidelines standard were drawn up in 2006 by the Global Reporting Initiative to evaluate economic, environmental and social performance of companies; the Electric Utility supplement (Pilot Version) was created in 2007 by the Global Reporting Initiative and contains specific indicators for the electric utility sector; The *Gruppo di Studio per il Bilancio Sociale* (GBS) had, instead, proposed its Principles for the Preparation of Social Reports in 2001.

Structure of the document

The first three sections of the report provide an account of how the company was created, its identity, mission, corporate strategies, sustainability strategies, the key indicators for assessing economic, environmental and social sustainability, and dialogue actions with stakeholders. The fourth section highlights corporate economic returns by means of the methodology based on value added allocated to stakeholders proposed by the GBS. The next sections provide an account of the results achieved for each class of stakeholder, given as performance ratings of a qualitative and quantitative nature and related to the objectives set forth in the previous report and achievement of these.

The objectives for the coming years for each class of stakeholder have been set in line with the company's strategic planning instruments; in certain cases, future targets of the company have been specified.

Reporting actions

The reporting actions comply with the AA1000 standard.

The process of setting sustainability objectives entailed analysis of the corporate strategic planning instruments and pinpointing projects prospected as objectives that impact stakeholders according to the Balanced Scorecard system.

The data collection actions required for the report entailed the distribution of forms providing the technical indications used for construction of indicators. Integration with

the Industrial Plan, Balanced Scorecard and the yearly Budget has been foreseen in order to ensure consistency, with respect to the indications provided and the instruments for planning and internal controls.

Lastly, in defining the contents of this Report, with the objective of complying as fully as possible with the principle of “materiality” of the GRI guidelines, the results of the analysis of the 2008 press review as well as the results of the activities for stakeholder involvement, which are described in Chapter 3.

The Guidance Committee for the Sustainability Report and the work group

The reporting process was led by a Guidance Committee composed of the Managing Director, the General Manager of Operations, the Manager of the Waste Management Division, the Manager of the Fluid Distribution Division, the Quality, Safety and Environment Manager, the External Relations Manager and the General Director of Hera Imola-Faenza.

This report was drawn up by the Corporate Social Responsibility Unit of Hera S.p.A., with the participation of numerous contacts, both in terms of data collection and for the descriptions and comments.

Guidance Committee:

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Corporate Social Responsibility Department:

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Scope of reporting

The scope of this document includes all the companies in the Hera Group, consolidated using the line-by-line method in the consolidated financial statements.

In certain cases, the findings do not tally fully with the report, in terms of scope of reporting. The data gaps in question (indicated by notes accompanying the individual tables) may be ascribed, variously, to the lack of certain items, or to the fact that certain items are not sufficiently significant, or to the fact that the pertaining data cannot be collected by applying the same management and recording procedures.

Companies included in the scope of reporting

Hera S.p.A.						
Services Division		Waste Management Division	General Development and Market Division			
<ul style="list-style-type: none"> • Famula On-line S.p.A. • Uniflotte S.r.l. 		<ul style="list-style-type: none"> • Akron S.p.A. • ASA S.p.A. • Ecologia Ambiente S.r.l. • Ecosfera S.p.A. • Frullo Energia Ambiente S.r.l. • Gal.A. S.p.A. • Ingenia S.r.l. • Nuova Geovis S.p.A. • Recupera S.r.l. • Romagna Compost S.r.l. • Sotris S.p.A. 	<ul style="list-style-type: none"> • Acque S.r.l. • Aspes Gas S.r.l. • Marche Multiservizi S.p.A. • Gastecnica Galliera S.r.l. • Hera Energie Rinnovabili S.p.A. • Hera Luce S.r.l. • Hera rete Modena S.r.l. • Medea S.p.A. • Società Intercomunale Servizi S.p.A. 	<ul style="list-style-type: none"> • Hera Comm S.r.l. • Hera Trading S.r.l. • Eris S.c.r.l. • Hera Comm Marche S.r.l. • Hera Comm Mediterranea S.r.l. • Eris S.c.r.l. • Hera Energie Bologna S.r.l. • Sinergia S.r.l. 		
Hera Bologna S.r.l.	Hera Ferrara S.r.l.	Hera Forlì-Cesena S.r.l.	Hera Imola-Faenza S.r.l.	Hera Modena S.r.l.	Hera Ravenna S.r.l.	Hera Rimini S.r.l.
<ul style="list-style-type: none"> • Herasocrem S.p.A. • Hera Servizi Funerari S.r.l. 						

Auditing of the Report

This Report was audited by an external company, which certified its compliance with the GRI – G3 and GBS guidelines, according to the “AA1000 Assurance Standard 2008.” This audit assesses compliance with the AA1000 Accountability Principles (materiality, inclusion of stakeholders, ability to respond to stakeholders) and the reliability of the specific sustainability performances.

The corporate quality management system, certified in compliance with the ISO 9001:2000 standard, foresees collection of quality KPIs on a regular basis.

In terms of the levels of application identified for these GRI-G3 guidelines (shown in the figure), this Report reached a level of application of A+, which corresponds to complete application of the requirements of the guidelines, and an independent external audit.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G1 Profile (Business)	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report on all criteria listed for Level C plus: 1.2 3.9, 3.11 4.5-4.13, 4.16-4.17	Report on all criteria listed for Level B plus: Management Approach Disclosures for each Indicator Category	Report on all criteria listed for Level B plus: Management Approach Disclosures for each Indicator Category	Report on all criteria listed for Level A plus: Management Approach Disclosures for each Indicator Category	Report on all criteria listed for Level A plus: Management Approach Disclosures for each Indicator Category
	G2 Management Approach (Business)	Not Required	Report on a minimum of 18 Performance Indicators, including at least one from each of: Economic, Social and Environmental	Report on a minimum of 26 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility	Report on a minimum of 26 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility	Report on a minimum of 26 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility	Report on a minimum of 26 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility
	G3 Performance Indicators & Sector Supplement (Business)	Report on a minimum of 18 Performance Indicators, including at least one from each of: Economic, Social and Environmental	Report on a minimum of 26 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility	Report on a minimum of 26 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility	Report on a minimum of 26 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility	Report on a minimum of 26 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility	Report on a minimum of 26 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility

*Sector supplement in final version

About us

Hera today

Hera is one of the major multi-utility companies in Italy, operating in approximately 240 municipalities of the provinces of Bologna, Ferrara, Forlì-Cesena, Modena, Ravenna, Rimini and Pesaro and Urbino. Hera also operates in several municipalities in the province of Florence.

Hera provides energy (gas, electricity), water (water systems, sewerage and treatment), and waste management service (collection and disposal) services to a total customer base of approximately 3 million users.

Hera is a company renowned for its reliability, soundness and competitiveness. Its main strengths lie in:

- the balance of its services, comprised of services managed according to free market criteria (e.g. sale of gas and disposal of special waste) and regulated services (e.g., gas distribution, integrated water services, collection and treatment of municipal waste);
- strong roots in the areas in which it operates;
- a widespread shareholding structure;

The shareholding structure at the dividend coupon date includes 189 public shareholders (holding 59% of shares, in all), 427 institutional investors and over 21,000 private shareholders (natural persons and corporate bodies which are not involved in financial businesses).

History

The group was founded at the close of 2002 following one of the most significant business combination operations ever conducted in Italy within the public utilities sector.

After its establishment, deriving from the merger of 11 local public service concerns, the company was partly privatized via the placing of 44.5% of the share capital on the Milan stock exchange (Borsa di Milano) .

The shared aggregation process which led to the formation of Hera has continued over time through various operations concentrated on companies in the energy, water and waste management sectors and in geographical areas bordering the areas managed.

The most recent transactions are:

- In 2007 the merger between Megas of Urbino and Aspes Multiservizi of Pesaro gave rise to a new company, Marche Multiservizi of which the Hera Group holds 41.8%. The merger became effective as at 1 January 2008.
- The merger of SAT S.p.A. into Hera S.p.A. approved in 2007, which became effective as at 1 January 2008.

Services managed

Energy services

Hera is one of the major operators in Italy, in terms of managed volumes for the sale and distribution of gas. Sales total approx. 2.5 billion cubic metres per year to approx. 1.1 million service customers. Hera distributes electricity in the Modena and Imola areas and sells approximately 5.1 TWh of energy per year to approximately 300 thousand customers.

Hera is also operational in the district heating, heat management and public lighting sectors.

Water services

Hera manages integrated water cycle services in more than 225 municipalities, with sale volumes totalling approx. 257 million cubic metres of water for domestic and industrial use, water systems covering approx. 30,531 km, approx. 12,750 km of sewer lines, and 869 treatment plants.

Waste management services

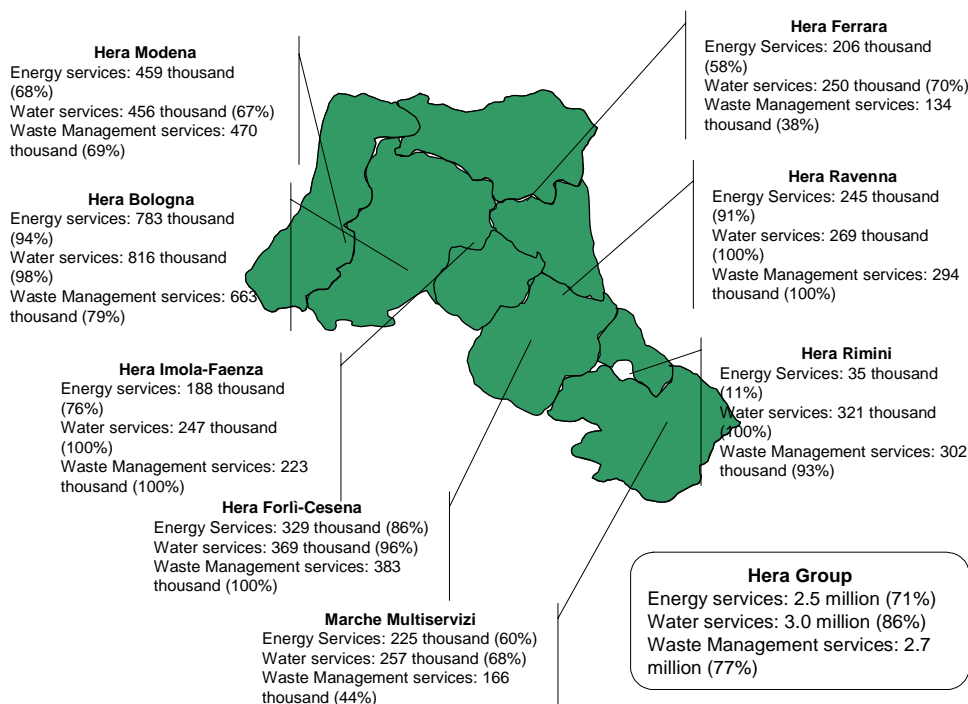
Hera manages the entire waste cycle: collection, recovery, treatment and disposal. The group manages municipal waste in approx. 172 municipalities representing a customer base of approx. 2.7 million users (collecting approx. 1.8 million tonnes of refuse per year).

Hera has over 70 waste disposal plants. Hera, with its 7 plants, is one of the major operators in Italy in the waste-to-energy sector. In 2008, about 3.4 million tonnes of waste were disposed.

Hera – key statistics (2008)

Gas customers (thousands)	1,065.7
Gas sold (millions of m ³)	2,493.1
Water customers (thous.)	1,153.9
Water sold (million m ³)	257.0
Electricity customers (thous.)	286.9
Electricity sold (GWh)	5,075.2
Waste treated (thous. t)	5,158.2
Permanent workforce (as at 31/12) (no.)	6,391

Customers served in the local areas*



* Number of residents in the municipalities in which Hera manages at least one energy service (distribution of gas or electrical energy, or district heating), waster service (water systems, sewerage or treatment) and waste management service (separate or non-separate waste collection, or sweeping) and the percentage of total residents in the province or the territory.

Mission and Charter of Values

The Mission

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

For Hera, being the best means inspiring the pride and trust of:

- customers, who receive, thanks to Hera’s responsiveness to their needs, quality services that satisfy their expectations;
- the women and men who work for 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 be generated, in full respect of the principles of social responsibility;
- the areas in which Hera operates, where economic, social and environmental wealth represent the promise of a sustainable future;
- suppliers, key elements in the value chain and partners for growth”.

Charter of Values

Integrity: *Proud to belong to a group of people known for their honest and upright conduct*

Transparency: *Sincere, clear messages for all stakeholders*

Personal responsibility: *Shared commitment to the good of the company*

Coherence: *Living up to our Mission and Values*

Company operational principles

Creation of value and social responsibility: *A company built to last, as a resource for society, the environment and future generations*

Service quality and excellence: *Putting customers first, as a trustworthy provider of services and safety*

Efficiency: *Promoting the value of available resources, never wasting them*

Innovation and ongoing improvement: *Feeling you are part of a team that generates ideas and improvement*

Engagement and optimisation of personnel: *Sharing knowledge for self-improvement and improvement*

Empowerment to choose: *Selecting the optimal solution for growth*

The company's Mission, Charter of Values and Operational Principles are set forth and detailed on the Group's website, on the corporate intranet and in the Code of Ethics.

The Mission, Charter of Values and Operational Principles were created with the participation of the Hera Group's entire workforce and were approved by the Board of Directors of Hera S.p.A. on 26 June 2006.

Managing sustainability

Corporate strategy

The 2011 business plan will bring the Hera Group to the conclusion of the project it began at the beginning of 2002.

The strategy of growing the core business, the value deriving from sustainability, the ongoing search for increased effectiveness and efficiency of our actions allows the Group to consolidate its presence on the market and serve approximately 1.4 million customers in the medium term while responding to the competition in liberalised sectors by using as leverage its client base and interventions, current and planned, in the upstream energy sector and the environment.

Special Mention by the Ravenna Chamber of Commerce for Hera S.p.A. at the Premio Ambiente 2008

Since 1998, the Chamber of Commerce of Ravenna has been granting awards to companies, both public and private, that distinguished themselves in the areas of

sustainable development and respect for the environment. In the Companies Section, Hera S.p.A. received special mention for the realization of a sustainability report “as an instrument of dialogue and proof of the company’s commitment to the territory and all its stakeholders.”

The significant elements for the improved financial results result from the full operation of the large plants, the commercial development of the special energy and waste sectors, the achievement of financial equilibrium in regulated activities, the focused attention to costs and the synergies available through technological, organizational and procedural innovation.

A significant challenge will be inherent in the competitions for the provision of regulated gas distribution and environmental hygiene.

The significant investments as set forth in the plan, which also derive from the need to cover the requirements of the territorial services, have however reached levels that cannot be maintained by the group in the medium term. It will be the task of all the stakeholders, whether internal or external to the Group, to be fully aware of this, if the company’s financial solidity and the expected return from the capital invested by the shareholders are to be preserved in the long term.

After 2011, the Group will be able to generate its own resources with which to launch a new, significant investment plan which will allow it to carry out a further leap in the plan to 2015.

The Group’s strategic guidelines are therefore now renewed through the merger of the three major elements of our strategy which are growth, sustainability and efficiency/effectiveness set forth in guidelines such as: infrastructural and installation development, excellence in the management of services on the territorial level, commercial and energy development, value from Customer Management, upgrading of operational efficiency and innovation.

The “balanced” scorecard of the Hera Group

The Balanced Scorecard approach enabled us to assign “balanced” objectives to our management team. “Balanced” objectives means objectives distributed over four areas: development, quality and corporate social responsibility, organisational integration, efficiency upgrading.

Since 2008 we have worked on consolidating within Hera the balanced scorecard system which was introduced in 2005, in terms of processes as well as support instruments. Since June 2008 a new IT instrument for management and monitoring of targeted projects that are part of the balanced scorecard has been introduced.

The adoption of the new software took place through a specific training initiative for all Group executives and managers aimed at providing the operating instructions for the use of the system and to transmit the main project management techniques in order to ensure greater planning and project management capacity.

The use of the new information system has ensured more efficient and effective management of the Balanced Scorecard process through:

- The simplified updating and maintenance of the project files that are linked to the target projects;
- Better control of the project file monitoring;

- Increased visibility of the projects by the members of the work group;
- Automatic generation of displays and summary reports.

The Balanced Scorecard approach provides a methodology pinpointing strategy which it translates into day-to-day actions and objectives on an organisation-wide basis. The innovation content of this approach lies in its considering the achievement of strategic objectives of a “qualitative” nature (e.g. stakeholder involvement, increased quality of services to the customer, and staff career advancement) as a condition for the achievement of economic and financial objectives.

What is the balanced scorecard?

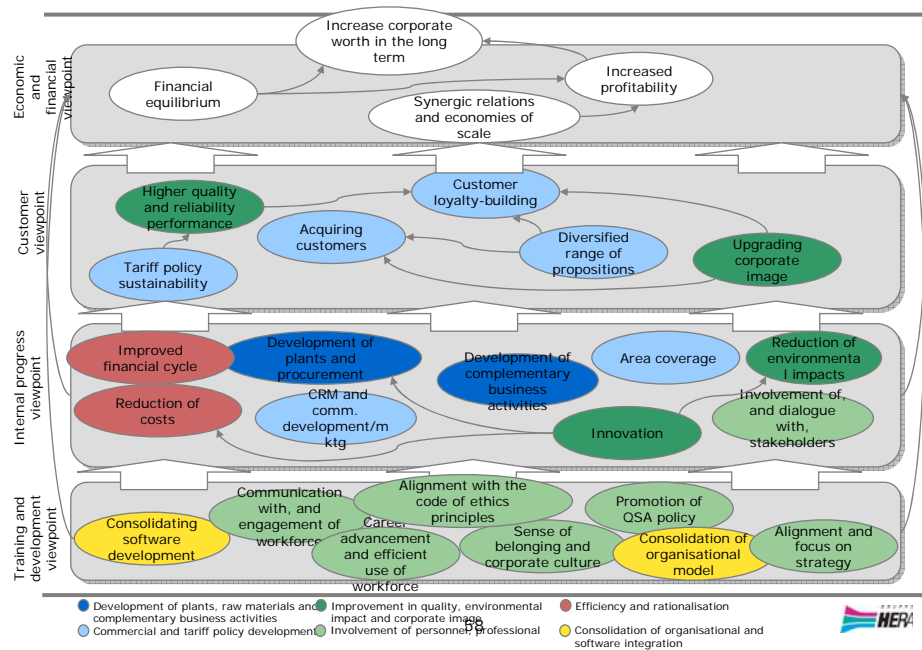
The balanced scorecard is a strategic control system. (which can be linked to an employee incentive system), that is based on the connection between strategy and the day to day running of the company. It was devised in the early 1990's by the American academics, R. Kaplan and D. Norton. It has generated an immense following among leading corporations in the USA and is now being taken up by major European players.

The strategic map of the Hera Group is a summary of the objectives of the industrial plan and the commitments to stakeholders set forth in the Sustainability Report. The strategy map of the Group highlights 26 strategic objectives for increasing the value of the company over the long term. To achieve these strategic objectives, 57 priority projects were selected during the 2008 budgeting process. These were assigned to members of the Executive Committee, and are monitored on a quarterly basis. Of these projects 6 fell within the strategic macro-area of “Involvement of personnel, professional development, dialogue with stakeholders”, 7 within the strategic macro-area of “Completion of organisational integration and software development”, 10 within “Development of plants, raw materials and complementary business activities”, 8 within “Commercial tariff policy development”, 12 projects within “Improvement of quality, environmental impact and company image”, and 14 projects within “Efficiency and rationalisation”.

All of the projects planned within the balanced scorecard system are assigned to a manager and inserted into the bonus system for Group executives and managers. Approximately 50% of the variable remuneration of senior management of the Hera Group is linked to the completion of the projects planned in the balanced scorecard system (the remaining 50% is linked to respect of budget objectives and compliance with specific organisational behaviours).

In 2008, the project-objective of sustainability (improvement in quality, environmental impact, image and involvement of stakeholders) accounted for a total of approximately 15% of the variable remuneration of Group executives.

Strategic map of the Hera Group



The strategic objectives which have the greatest impact on sustainability are:

- Reducing environmental impact.** Minimizing the direct and indirect environmental impact of corporate activities to safeguard the natural environment on behalf of future generations. Reducing the use of environmental resources through the use of renewable energy (by 2010 the aim is to triple the production of energy from renewable and similar energy sources compared to 2008), the reduced use of landfills (15% of waste in landfills by 2010), further development of separated waste collection (the target is to exceed 50% by 2011), the recovery of energy and materials, the containments of emissions into the atmosphere (WTE emissions of approximately 25% the legally allowed amount).
- Increasing quality and reliability.** Improving customer satisfaction with services provided. Investing in order to improve the quality of relations with customers and the local areas. Attain levels of fulfilment of commercial quality standards close to 100%. Improve call centre waiting times (40 seconds by 2010 for residential customers, 30 seconds by 2010 for business customers) and at branches (15 minutes by 2010). Improve gas service safety: aim for 100% of emergency calls to be handled within 60 minutes. Further improve the customer satisfaction index: 70 by 2011.
- Involvement and dialogue with stakeholders.** Further developing the model of a business capable of reaching a sustainable balance of the interest of various stakeholders, in order to improve competitiveness over the long term. Further develop the initiatives for dialogue and consultation with stakeholders (customer satisfaction surveys, RAB, improvement groups, focus groups) through the application of the guidelines that have been defined and with complete, transparent reporting on those initiatives. Promote Hera's contributions to the development of the territory, including through specific consultation activities and dialogue with stakeholders.
- Communication and workforce involvement.** Implementing systematic instruments and procedures for dialogue with the workforce and adopting the

consequent corrective actions (internal climate surveys, improvement groups, focus groups). Reaching an internal climate index of 60 by 2011.

- **Career advancement and efficient use of skills and know-how.** Strengthen the institutional and managerial training model so that it is in line with appropriate skill development interventions at the most significant phases of working life. Consolidate and further develop the “Scuola dei Mestieri” model, including through identification and promotion of the apprenticeship communities. Retrain and promote the workforce by defining new paths for growth through optimization of internal mobility.
- **Alignment with Code of Ethics principles.** Ensuring the maximum diffusion of the company Charter of Values and Code of Ethics. Monitoring compliance through the full implementation of the activation system defined by the Board of Directors. Evaluate the areas for improvement of the activation system at the conclusion of the first three years of application.
- **Sense of belonging and corporate culture.** Disseminating corporate values and culture and a sense of belonging. Ensuring dissemination of the Charter of Values and the Code of Ethics after changes in the scope (acquisitions, integrations, etc.) and to all newly hired employees.
- **Innovation.** Taking full advantage of opportunities for innovation provided by technology systems and processes, for improved services efficiency/effectiveness, for enhanced environmental performance, and for developing energy from renewable sources.
- **Promotion of the Quality, Safety and Environmental Policy.** Make the stakeholders and workers, in particular, aware of environmental, quality and safety issues, by ensuring their adequate involvement in the objectives and goals. Promote the development of an integrated management system for quality, safety and the environment. Disseminate the culture of respecting and implementing the commitments of the QSA policy.

Many of the commitments to stakeholders listed in this report are contained in the Hera Balanced Scorecard. This is to provide guarantees of consistency and coherence among the various instruments used for management and achievement of the Group strategy (Industrial Plan, Sustainability Report, management reporting, bonus system).

Corporate Social Responsibility within Hera

Hera acts to develop and promote corporate policies with a view to adopting a corporate model that is capable of meeting the needs of all stakeholders in a balanced manner. From 2003 with the annual publication of the sustainability report and thereafter with the establishment of the Corporate Social Responsibility organisational unit, Hera added CSR to its strategy, as Hera considers CSR a valid instrument for increasing competitiveness and a key element in reaching sustainable development.

The Mission and Charter of Values dictate the guidelines for corporate conduct expressed in the Code of Ethics, which underlie each corporate action and relationship. A shared Mission, Charter of Values and Conduct is the strategic framework in which the industrial plan takes shape, results are reported in a transparent way through the Sustainability Report, and economic planning is carried out annually. The balanced scorecard system makes it possible to differentiate the corporate strategies and social responsibility policies into specific operational projects managed by managers and

executives and periodically monitored. This virtuous cycle of social responsibility within Hera is complemented by a constant process of stakeholder involvement that allows for the bivalent examination of legitimate claims and their balanced insertion as part of the corporate policies and the relative implementation instruments.

From strategy to daily management: a virtuous cycle



Hera obtains the CEEP CSR label

In June 2008, Hera was awarded the CEEP label for Corporate Social Responsibility, which was assigned as part of the European project Discerno Plus (run by the European Commission to promote social responsibility in European public companies. This label which is given by an international commission chaired by CEEP (the European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest) is awarded to local public service companies that distinguish themselves on account of their integration of social and environmental responsibility in management operations. 269 companies participated in the 2008 event, of which 74 were selected finalists and only 36 received the CEEP label.

Key Performance Indicators

Key Performance Indicators	2006	2007	2008
Economic Responsibility			
Value added (million €)	792.4	797.8	909.2
Total investments (million €)	504.8	471.8	429.7
Leverage (Net Financial Position/Shareholders' Equity)	77.4%	93.1%	99.5%
ROI (Operating Income/Net Capital Employed)	8.6%	7.4%	8.9%
EBITDA per open-ended contract employee (thousands of €)	68.5	74.2	82.7%
Social Responsibility			
Open-ended contract employees (average annual % of total workforce)	93.2%	93.4%	94.3%
Hours of training per capita	20.1	24.3	33.2
Workforce attending at least one training course (%)	92.5%	92.1%	97.6%
Accident frequency index (number of accidents/hours worked x 1,000,000)	47.5	42.41	38.2
Internal climate index (score 0-100)	-	53	-
Index of customer satisfaction for residential customers (score 0-100)	67	65	67
Compliance with quality standards (gas, electricity, integrated water service, district heating)	94.6%	94.8%	95.8%
Gas emergency services: percentage of calls with intervention within 60 minutes	96.3%	96.8%	96.5%
Average call centre response time for residential customers (seconds)	34.5	46.2	66.1
Average branch operator waiting time (minutes)	23.7	21.9	18.5
Total return for shareholders since listing (%)	184.6%	171.8%	53.0%
Value of supplies from local suppliers (% of total)	70%	62%	69%
Value of supplies from ISO 9001 certified suppliers (% of total)	60%	68%	71%
No. environmental education programme students	37,622	36,014	45,617
Environmental responsibility			
Portion of energy produced from renewable sources (incl. waste-to-energy at 51%)	27.6%	28.2%	30.8%
Portion of energy produced from renewable sources (incl. waste-to-energy at 51%) and similar	51.2%	49.6%	49.2%
Waste-to-energy plant emission levels vs legal limits (real concentrations/legal limits: optimal value <100%)	21.2%	19.3%	17.1%
Quality of treated water vs legal limits (real concentrations/legal limits: optimal value <100%)	31.7%	30.0%	25.3%
Compliance with Kyoto Protocol (real emissions/authorised emissions)	86%	64%	70%
Non invoiced water (physical and administrative losses from the civil water system)	25.4%	25.3%	25.5%*
Separate waste collection	31.2%	36.1%	42.4%
Fuel with low env. impact used by vehicles (methane, electric, mixture of biodiesel and gas oil) (% total)	37.0%	46.2%	27.9%
Portion of municipal waste collected for disposal via landfill with no pre-treatment (% total collected solid waste)	24.0%	25.0%	24.4%
Portion of municipal waste collected for disposal via landfill (% total collected solid waste)	37.0%	35.3%	33.5%

* Provisional figure

For some data, the calculation criteria for 2006 and 2007 were adjusted to those used for the current year. The social and environmental key performance indicators do not include Marche Multiservizi.

The instruments of governance

Corporate governance

Hera is the only Italian multi-utility company with public sector majority shareholders and a markedly diversified shareholder base. Regarding Corporate Governance, the Group adopted statutory procedures, with specific attention to the implementation of the principles contained in the Code of Conduct prepared by Borsa Italiana and published in March 2006.

The main governance bodies of Hera are the Board of Directors, the Executive Committee, Board of Auditors, the internal committees and the Shareholders' Meeting. The Board of Directors is supported in its duties by 2 committees: the Remuneration Committee and the Internal Control Committee. The Board of Directors also created a Supervisory Body pursuant to Legislative Decree 231/2001, as well as an Ethics Committee to monitor the dissemination and implementation of the principles in the Hera Group's Code of Ethics.

The Board of Directors

The appointments mechanism for the Board of Directors, comprising 18 members, is specified in article 17 of the Articles of Association. These appointment rights are as follows: the local authorities holding shares are entitled to appoint 14 members to the Board while private investors are entitled to appoint 4 members through the list vote method.

The local authorities holding shares have entered into a Voting Trust and Share Transfer Rules Agreement which provides clauses on the composition of the Board of Directors. There are two consultation pacts that provide for clauses on the composition of the Board of Directors: one subscribed on 27 October 2006 by five minority shareholders of Hera S.p.A. and another pact subscribed on 11 July 2006 by 41 minority shareholders of Hera S.p.A.

The articles of association provide that the Board shall meet at least once each quarter or whenever the chairman considers it necessary or a meeting is requested by at least one third of its members or the Board of Auditors; it furthermore provides that the Board be vested with broad and unrestricted powers for the ordinary and extraordinary management of the company. It is empowered to carry out all such actions as it deems necessary for and conducive to achieving the company purpose except those placed explicitly under the responsibility of the Shareholders' Meeting.

The Board of Directors met 12 times in 2008.

Name and Surname	Office	Position	Appointed by
Tomaso Tommasi di Vignano	Chairman	Executive Director	Municipality of Forlì according to the terms of art. 2449 of the Italian Civil Code.
Maurizio Chiarini	Managing Director	Executive Director	Municipality of Bologna according to the terms of art. 2449 of the Italian Civil Code.

Name and Surname	Office	Position	Appointed by
Giorgio Razzoli	Vice Chairman	Non-executive independent director	Comune di Modena (municipality of Modena) according to the terms of art. 2449 of the Italian Civil Code (and on behalf of 29 other municipalities and authorities):
Mara Bernardini	Director	Non-executive independent director	Comune di Modena (municipality of Modena) according to the terms of art. 2449 of the Italian Civil Code (and on behalf of 29 other municipalities and authorities):
Filippo Brandolini	Director	Non-executive independent director	Comune di Ravenna (municipality of Ravenna) according to the terms of art. 2449 of the Italian Civil Code (and on behalf of 11 other municipalities):
Luigi Castagna	Director	Non-executive independent director	Comune di Casalecchio (municipality of Casalecchio) according to the terms of art. 2449 of the Italian Civil Code (and on behalf of 46 other municipalities):
Mauro Cavallini	Director	Non-executive independent director	Comune di Ferrara (municipality of Ferrara) according to the terms of art. 2449 of the Italian Civil Code (and on behalf of 9 other municipalities):
Piero Collina	Director	Non-executive independent director	Shareholders' Meeting from lists presented by the minority shareholders
Pier Giuseppe Dolcini	Director	Non-executive independent director	Shareholders' Meeting from lists presented by the minority shareholders
Ferruccio Giovannelli	Director	Non-executive independent director	Comune di Modena (municipality of Modena) according to the terms of art. 2449 of the Italian Civil Code (and on behalf of 29 other municipalities and authorities):
Lanfranco Maggioli	Director	Non-executive independent director	Comune di Rimini (municipality of Rimini) according to the terms of art. 2449 of the Italian Civil Code (and on behalf of 26 other municipalities):
Alberto Marri	Director	Non-executive independent director	Shareholders' Meeting from lists presented by the minority shareholders

Name and Surname	Office	Position	Appointed by
Nicodemo Montanari	Director	Non-executive independent director	Con.AMI according to the terms of art. 2449 of the Italian Civil Code.
Roberto Sacchetti	Director	Non-executive independent director	Comune di Cesena (municipality of Cesena) according to the terms of art. 2449 of the Italian Civil Code (and on behalf of 25 other municipalities):
Luciano Sita	Director	Non-executive independent director	Municipality of Bologna according to the terms of art. 2449 of the Italian Civil Code.
Francesco Sutti	Director	Non-executive independent director	Municipality of Bologna according to the terms of art. 2449 of the Italian Civil Code.
Bruno Tani	Director	Non-executive independent director	Shareholders' Meeting from lists presented by the minority shareholders
Stefano Zolea	Director	Non-executive independent director	Municipality of Bologna according to the terms of art. 2449 of the Italian Civil Code.

The current members of the Board of Directors will hold office until the Shareholders' Meeting for approval of the Financial Statements as at 31 December 2010.

As set forth in the Borsa Italiana Code of Conduct, the Annual Report on Corporate Governance, included in the Statutory Financial Statements, illustrates the requisites for non-executive, independent directors of Hera S.p.A.. Three directors of Hera S.p.A. are aged between 30 and 50, 15 directors are over 50 years of age. The remuneration paid to directors of Hera S.p.A. is illustrated in the explanatory notes to the 2008 Financial Statements.

The Board of Directors was renewed on 29 April 2008.

The Board of Auditors

The term of the Board of Auditors expired with the approval of the financial statements for the period ended on 31 December 2007 and was renewed during the Shareholders' Meeting of 29 April 2008. It will remain in office until the approval of the financial statements for 2010.

It is the corporate body that monitors correct administration, especially insofar as the adequacy of the organizational, administrative and accounting structure adopted by the directors and its operation.

The Executive Committee

The Executive Committee was appointed by the Board of Directors as at 30 April 2008, pursuant to article 23.3 of the Articles of Association. With regard to the yearly definition of the Group's industrial plan and the proposed appointments of top level managers, the Executive Committee has a duty to express an opinion prior to their submittal to the Board of Directors; it is also expected to adopt resolutions, in relation to

defined brackets of amounts, concerning contracts and agreements tied to the corporate purpose, consultancy relationships with outside professional experts, the company's membership in organisations, associations and other bodies, settlement of disputes and releases of creditor claims, acts amending or terminating contracts for credit lines and loans, and stipulation, amendment and termination of investment contracts

The Executive Committee is composed of the Chairman, Vice Chairman and Managing Director of Hera S.p.A. It met five times in 2008.

The Remuneration Committee

The Remuneration Committee was appointed by the Board of Directors on 14 May 2008. The task of this committee is to make proposals to the Board of Directors with regard to remuneration of the Chairman, the Managing Director, and directors who cover specific roles, as well as to propose the general criteria to be adopted with regard to remuneration of senior management and executives. The Committee met twice in 2008.

The Committee is made up of four non-executive independent directors: upon invitation by the Committee chairman, the Managing Director and the Chairman of the Board of Directors may participate in its meetings.

The Internal Control Committee

The function of the Internal Control Committee, which was appointed by the Board of Directors on 14 May 2008, is to consult and propose. It is composed of 4 independent, non-executive directors. Its task is to assess the reliability of the internal control system to ensure the efficiency of corporate operations, reliability with regard to information of a financial nature, compliance with the law and with regulations, and protection of corporate assets. Taking part in its meetings are the Chairman of the Board of Auditors or another Auditor designated by the said Chairman, as well as, when expressly requested by the committee Chairman, the Managing Director and the Chairman of the Board of Directors.

The Committee for Internal Control met 4 times in 2008.

The Ethics Committee

Appointed by the Board of Directors of Hera S.p.A. on 14 May 2008, it has the task of monitoring the dissemination and implementation of the Code of Ethics. It receives the reports on violations of the Code and assesses whether to begin proceedings.

It is composed of three members: two non-executive and independent directors of Hera S.p.A. and an executive who is an expert in corporate social responsibility and the issues dealt with in Legislative Decree 231/2001. In 2008, the Ethics Committee met 5 times.

As at 31 December 2008, the Ethics Committee received 11 reports involving Code violations: 6 from employees, 4 from customers and 1 from a trade union. All reports were successfully handled at the pre-investigation stage without requiring formal investigations and the issuing of official reprimands. In the case of the workers, the pre-investigation involved the person making the report and, in the second phase, the organisational units in question for the provision of further information. The Directors of the units were also involved in order to find a solution through dialogue and openness. With regard to the reports from clients, the preliminary investigations

involved the competent departments which answered or resolved the questions put forth.

At the meeting of the Board of Directors of Hera S.p.A. on 18 December 2008, the Committee presented its annual report on activities and the reports it received, as required by article 71 of the Code of Ethics.

Supervisory Board 231

The task of the Supervisory Board 231 is to supervise and control compliance with, and the functioning and effectiveness of, the Organisational Model for the prevention of crimes which might be linked to administrative liabilities of the Group companies, according to the terms of Legislative Decree 231/2001.

This board is an independent body appointed by the Boards of Directors of the companies of the group taking part in “Progetto 231” (Project 231)¹. The Board reports to each Board of Directors on matters of concern as per Legislative Decree 231/2001. It avails itself of the Internal Auditing Department for purposes of control, analysis and other duties undertaken.

This Supervisory Body is composed of three independent members, and is headed by the manager of the Internal Auditing Department. The Supervisory Board met 5 times in 2008.

The Organisation

2008 witnessed significant changes in the Group’s organisational structure. In compliance with resolution 11/2007 of the Electrical Energy and Gas Authority (AEEG), which requires multiservice companies to separate their selling activities from their distribution activities insofar as the electricity and gas services, the Fluid Distribution Division was established within General Management Operations and the Gas Distribution, Water Cycle, Fluid Laboratory and Remote functions were integrated therein.

Thus, an Electricity Distribution Department was created as part of the new Large Plant Engineering and Electricity Distribution Division, as it was for the fluid networks. Furthermore, the General Development and Market Division was established and the Central Business Development and Strategic Planning and Sales and Marketing Departments became a part of this division.

In June 2008, in order to further foster management of the activities relating to quality, safety and the environment and in order to monitor, pursue and ensure the related corporate objectives, the Central Quality, Safety and Environment Division was constructed which reports directly to the Managing Director.

Starting from 1 January 2008, the operational integration of Sat S.p.A. into Hera S.p.A. began. This integration allowed Hera to extend its presence in the 6 municipalities that were previously managed by Sat for the services of gas and water distribution and municipal hygiene services, though the synergies ensuing from the merger. The

¹ These companies are: Hera S.p.A., Hera Bologna, Hera Ferrara, Hera Forli-Cesena, Hera Imola-Faenza, Hera Modena, Hera Ravenna, Hera Rimini, Famula On-line, Hera Comm, Hera Trading, Akron, Ecologia Ambiente, FEA, Sinergia, Hera Luce, Acantho, Eris, Nuova Geovis, Uniflotte, Romagna Compost and Medea (these companies comprise 98.8 % of the Group’s workforce).

transaction resulted in the addition of approximately 200 employees between the Modena area company, particularly for the technical-operational management of services in the area and other Group companies that manage information systems and fleets. The integration of the systems will be complete by March 2009.

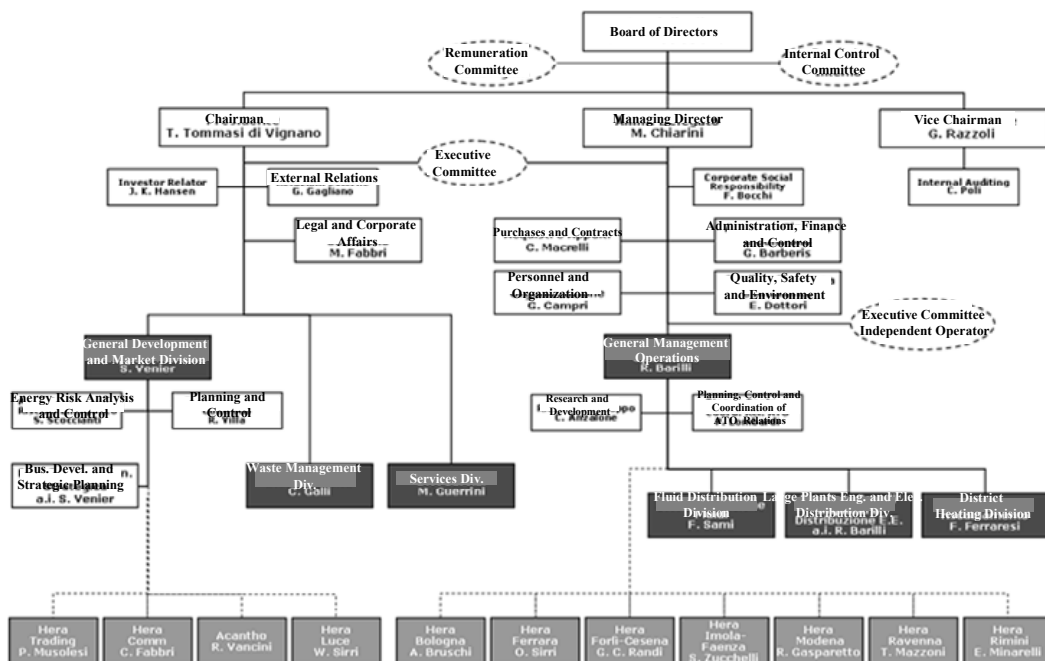
The phase for the completion of significant activity rationalisation projects continues. Due to their technical, technological and managerial complexity, this phase is expected to span several years. Specifically:

- rationalisation of analysis laboratories: the centralisation of the activities and staff at the Bologna, Ravenna and Forlì centres has been completed;
- remote centralisation: following the construction of the Hera Group's sole remote centre for all fluid networks (water cycle, gas and district heating) at the Forlì plant which was inaugurated in May, the transferral of staff as per the program plan is now underway.

Consistent with the new on-call service model for the fluid networks, the phase involving the actual implementation in the territories is currently underway.

One of Europe's largest remote control unit for fluids is located in Forlì

The remote centre for fluid networks was inaugurated in May 2008, in Forlì. The new remote centre for the water, gas and district heating networks, which operates for the time being in areas of the Forlì-Cesena and Ravenna territories, will supervise and assist all Hera plants as it operates in synergy with the territories. A 398 square metre room, 16 by 3.6 metre giant screen, technical call centre operating 24 hours per day, seven days per week, double fibre optic communication lines and three monitors per station are just some of the technologies through which 100 thousand points will be monitored by 60 persons (operators and expert technicians) by the year 2011.



Hera's operational model combines divisions and operating units so as to allow:

- better focusing on development and rationalisation objectives;
- optimisation/concentration of assets, skills and specialisations that are able to ensure a unified perspective;
- the achievement of a “balanced” structure with regard to the regulatory obstacles on certain activities (e.g., electricity unbundling);
- maintenance of the operational coverage of the reference territory.

The organisational structure is based on a **Holding company** which guides and coordinates through staff functions, two General Managements, five Divisions and seven companies operating on a territorial basis.

Three committees have been set up for purposes of corporate management.

The **Executive Committee** meets every three months to monitor management trends and the progress of Balanced Scorecard projects.

The tasks of the **Managing Committee** are to obtain group-wide consensus on policies, strategies and operational planning decisions, while fostering integration between the various functions.

The **Coordination Committee** focuses on the **Territorial Operative Companies** and monitors progress with respect to locally managed services, while ensuring alignment of the activities of the various companies.

Governing Corporate Social Responsibility

The Corporate Social Responsibility Unit

This unit was established by the Board of Directors of Hera S.p.A. in May 2005 and reports to the Managing Director. The CSR Organisational Unit ensures that the social responsibility principles are an integral part of corporate planning and management. The CSR Unit is in charge of defining and proposing corporate guidelines concerning corporate social responsibility, reporting on sustainability and ensuring the continued development of the integrated balanced scorecard system with sustainability strategies.



VedoHera: The Hera Group newsletter on sustainability

VedoHera was first published in May 2008. This newsletter is published online every four months and focuses on sustainability and issues of quality, safety and the environment. VedoHera aims to delve deeper into these areas so as to present the initiatives carried out and the results achieved by Hera, in the simplest and clearest possible way. The newsletter also contains a section dedicated to a brief summary of actual projects and results named “*Progetti in pillole*” (Projects in brief) and an entire series of useful links to sustainability issues. In February 2009 there were over 200 subscribers to the newsletter while approximately 10,000 pages were visited in 2008.

The Internal Auditing Department

In 2003, the Internal Auditing Department of Hera S.p.A. was instituted, according to the provisions of the Code of Conduct for Listed Companies prepared by Borsa Italiana. Since 2006, the Internal Auditing Department reports directly to the Deputy Chairman of the Hera S.p.A. Board of Directors, thereby ensuring its independence from other operational structures.

Under the supervision of the Internal Control Committee, the Internal Auditing Department evaluates corporate risks, delineates the long-term audit plan and implementation, and executes the related specific audits.

Group Management assigns the Internal Auditing Manager the responsibility for Internal Control, in compliance with the provisions of the Code of Conduct for Listed Companies prepared by Borsa Italiana S.p.A.

In December 2007, the Board of Directors of Hera S.p.A. updated and expanded the mandate to the Internal Auditing Department, approved the Operational Manual, and assigned the Executive Committee the task of overseeing the implementation of the Action Plans resulting from audit reports.

Audits may regard infrastructure, activities, processes and information of Hera S.p.A. and its subsidiaries. In 2008, the total tasks carried out resulted in 71 audit reports. As part of the technical audits carried out on a sampling basis at 17 branches, 142 procedures and 116 events were examined. 636 information flows were examined for project 231 purposes.

The organisational model for corporate crime prevention

Legislative Decree 231/2001 introduced a regime of administrative liability into the Italian legal structure. These measures are applied to entities which commit crimes in their own interest or to their own advantage. These crimes may be committed by natural persons acting as representatives, directors or managers on behalf of the entities, or by natural persons acting under the supervision of such persons or subjected to supervision on their part.

The Board of Directors of Hera S.p.A. and the main subsidiaries of the Group adopted an Organisation, Management and Control model to ensure conditions of correctness and transparency in conducting business and company activities. The composition of the Supervisory Body was renewed in 2008.

Following the mapping of “sensitive” company activities, at risk of the offences included in the Decree, the Group companies defined specific protocols to be followed in carrying out specific activities, and made the consequent information flows available on a periodic basis. These protocols are circulated to the entire workforce through the corporate intranet. Their application is monitored during the audit phase. As of now, no cases of corruption have arisen granting advantages to the Group, and thus, defined as significant as per Model 231.

In 2008 the review of the “Health and Safety in the Workplace” protocol was carried out following the publication of Legislative Decree 81/2008.

Following the modifications to the regulation that required organisational structures to comply with unbundling regulations that define the figure of the independent network operator, it became necessary to update the Protocols that involved relations with the Regulatory Authorities.

The Organisational Model of the Hera Group includes the principles of conduct formalised in the Code of Ethics.

The Code of Ethics

The Code of Ethics lays down the commitments and ethical responsibilities to be met as part of all activities undertaken by the managers, the workforce and collaborators of all group companies for the achievement of corporate objectives. Hera's Code of Ethics aims to provide guidance for group management according to the principles of responsibility, a fair and correct approach to professional activities and economic efficiency with respect to relations inside and outside the group, so that conduct may be unequivocally conducive to meeting the needs of stakeholders and to consolidation of a positive corporate reputation.

The supply contracts drawn up by group companies include termination clauses linked to the failure of suppliers to comply with the principles of the Code of Ethics. Starting from 2006, supplier qualification is subject to acceptance of the Code of Ethics.

The updated Code of Ethics was approved by the Board of Directors of Hera S.p.A. on 12 September 2007, upon completion of a development process that involved 40 employees within 2 focus groups, all the Group's executives and managers and 4 Mayors of shareholder municipalities. During 2008, the process for the approval of the Code by all the companies included in the scope of Project 231 was completed. The sole exception is Acantho S.p.A. for which a Code of Ethics based on the particularities of its activities was approved. Though it contains almost the entire text of Hera's Code of Ethics, this latter code also contains additions and parts for the Code of partner Infracomm.

Risk analysis

Risk factors and critical points are identified and weighed through a process of risk assessment of the Group's business segments, and the infrastructure processes, in order to update and define the three-year Internal Audit Plan which provides a breakdown based on level of risk for each segment to be controlled. Internal Auditing activities focus on the highest risk segments. The resulting Audit Plan, following receipt of an opinion by the Internal Control Committee, is approved by the Board of Directors of Hera S.p.A.

With regard to specific risks inherent in the issues falling within the scope of Legislative Decree 231/2001, the Supervisory Body defines an Audit Plan based on the risk assessments, any extension to companies which were previously excluded from the Group's Model 231, coverage of new processes, regulatory developments and the extension of the scope of activities of the companies.

Risk management

In January 2004, Hera created the Risk Management & Control Department within its organisation, in order to optimise the company risk profile, adopt pro-active behaviours in relation to corporate risk, minimising threats and taking advantage of opportunities, in order to ensure increasingly efficient protection of business assets.

Risk Management processes are applied at specific moments, such as awareness of the risk, identification of danger, risk analysis, risk management and treatment, and the control/auditing of the Risk Management policies.

The Hera Group's requirements for insurance services are covered by a pool of leading Italian and foreign insurance companies.

Hera is a member of Global Compact

On 8 June 2004, the Hera Group ratified its commitment to the aims of the Global Compact, an international declaration of the intention to obtain consensus and support for certain fundamental principles and relating to standards applying to work, human rights and environmental safeguards. In October 2008 the Global Compact sent a letter to the Managing Director of Hera S.p.A. regarding the excellent quality of the 2007 Sustainability Report and its value as an example to be followed by other members.



The Quality, Safety and Environmental Management System

The Central Quality, Safety and Environment Division was established in 2008 and reports to the Managing Director of Hera S.p.A. The development guidelines of the Central QSA division span cultural, organizational and management areas and aim to support the development and growth of the company through sharing of the processes, building of a group spirit and a common commitment at all levels.

The reference point of the entire management system was the issuing of the procedure for the Document Management System which, according to the objective of issuing procedures for the entire Group rather than for individual companies, required streamlining of the existing procedure while also giving rise to the safety system integrated into the documentation system.

During 2008, all the certifications (ISO 14001 and ISO 9001) which had been obtained in previous years for Hera S.p.A. and the seven territorial operative companies were maintained with the addition of several extensions ensured ongoing growth and improvement.

In the second half of 2008 and following Hera's request submitted through a third party certification body, Sincert (the national system for the accreditation of certification and inspection organizations) officially recognised the Group's particular organisational complexity, which allowed it to begin the process for OHSAS 18001 certification for portions of its scope, over a three year period from 2008 to 2010 which will result in the certification of the entire Group.

The EMAS project, which provides for the progressive registration of all the Waste Management Division plants and the addition of the Modena area plants is also continuing and aims to be completed within the next three years.

During 2008, the Committee for Ecolabel and Ecoaudit of the Ministry of the Environment issued the EMAS registration for the two new sites (the Ravenna sector and the Imola landfill) and renewed the pre-existing registrations for the Baricella (Bologna) landfill and the Ferrara site, as their three year period of validity had expired. During the same year the Environmental Declarations were validated by the external certification entity for the following new disposal/treatment plants: the Voltana (Ravenna) landfill, the Busca (Forlì-Cesena) the Montefiorino (Modena) landfill under post-closure management, the Cervia (Ravenna) transfer service for which investigation is currently underway by the Ecolabel and Ecoaudit Committee, together with the investigation for the Bologna chemical physical plant.

The chapter "Environment and Future Generations" sets forth a list of the plants with ISO 14001 certification and EMAS registration (though awaiting ministerial validation).

The investigation phase of the Hera Ferrara EMAS project is currently temporarily suspended. To briefly review the history, the Ferrara EMAS actually began with a single registration for the entire complex located on via Cesare Diana, in Cassana-Ferrara, which was managed at that time by the former Agea company. The organisational change which also involved the addition of Acosea, a company that provides Integrated Water services, during the merger by incorporation phase with the Hera S.p.A. Group, affected the rules for registration significantly. In order to maintain the registration, Hera committed to obtaining two registrations within a set period of time: one for the waste treatment facilities of Hera's Waste Management Division which is currently valid and a second registration with the TOC of Hera Ferrara for all services provided in the territory, including the last process added which concerns the integrated water service.

The course for the Hera Ferrara TOC is not a simple one, given that compliance with the EMAS registration rules does not allow for exclusions and legislative non-compliance and therefore appropriate corrective actions will have to be set up beforehand in order to address the deficiencies of the treatment service, which are however undergoing correction according to the plan that has been agreed with ATO Agencies and are to be submitted to the control entities by the Ferrara TOC. Following this the registration process will be able to be restarted with the production of the environmental declaration.

Hera's commitment to environmental and quality certification

The commitment to continually improve the quality of the services provided, protect the environment and the safety of the employees and the public at large has culminated with the implementation of the new Quality, Safety and Environmental policy that was approved by the Board of Directors of Hera S.p.A. in December 2007 and was implemented by all the territorial companies and the subsidiaries in the first half of 2008. The QSA policy was distributed to all the Group employees and published on the corporate intranet and the external portal and is part of the information material that is delivered to all incoming employees.

The environmental and quality certifications represent the concrete application of Hera's QSA policy, as does the launching of the OHSAS 18001 certification process.

Group companies with ISO 9001 quality certification amount to 96% of the total (considering the number of employee with open-ended contracts).

As at December 2008, 56 waste disposal plants received ISO 14001 environmental certification; 94% of the waste disposed of in the Group plants took place in ISO 14001 certified disposal plants. There are 19 plants with EMAS registration in total and a further 5 plants have passed the verification carried out by the external company and are awaiting ministerial validation. In 2008, waste disposed of in plants with EMAS registration was 33% of the total waste treated in Group facilities. This percentage rises to 39% if we take into consideration the plant which passed the inspection by the external company, but are still awaiting ministerial validation.

Major regulatory developments impacting sustainability

The main innovations insofar as the regulation of energy services issued by the AEEG in 2008 concern: the completion of the quality reform, with the approval and subsequent integration of the consolidated text on gas (premium/penalty schedule for 2008 and

mandatory schedule for 2009, response criteria for communication between sellers and distributors, response times to claims classified among specific standards) and the convergence, which is now almost complete for the sales segment in particular, between gas and electricity; the deep reform of gas distribution tariffs (change from the “dynamic” constraint to a pure revenue cap model with a predetermined constraint); review of the tariff contribution for energy efficiency initiatives (confirmation of the transition from the 100 Euro/toe level to 89 Euro/toe in 2009); introduction of deadlines for the installation of electronic meters for gas as well; issuing of the guidelines for the implementation of the functional separation rules.

Endowed with the primary legislation (in particular law 133/08 and Legislative Decree 185/08 for urgent economic measures), the Regulatory Authority intervened in order to make the prohibition of transferring from the so-called “Robin Tax” effective and to reduce the consumer prices of natural gas for protected customers.

An immediate and significant impact has been felt on account of the approval of various environmental regulations: with the conversion into law of the decree on waste emergency, the conventional criterion of recognising incentives reserved for renewable resources at 51% of the electricity produced by waste incineration plants with energy recovery was introduced temporarily until final approval. As provided by the financial law of 2008, which reformed the general legislation on incentives for renewable resources, the ministerial decree that regulates the granting of green certificates in the new regime was also approved; in particular, the decree allows the subsidised return of unsold green certificates estimated at the average price over the preceding three year period. Again with regard to environmental regulation, we note the conversion into law of Legislative Decree 208/2008 which contains urgent measures on waste and water resources, which to a certain measure which is however appropriate for the future, mitigates the financial burden that water service operators would have incurred following the pronouncement of the ruling of the Constitutional Court which, following a long and difficult lawsuit, declared that the payment of the treatment component of the water tariff by users that are not connected to treatment plants that are directly connected to sewage lines was illegitimate and not due. The applicable regulation currently provides that the treatment component is due to the extent of the actual cost of the treatment activities; for refunds of past overpayments, it was established that these can be reduced by the amount used by the operators for the partial construction of plants in addition to being used for their construction.

Dialogue with stakeholders

Hera's stakeholders

An industrial group with the characteristics of Hera must take into account the (frequently conflicting) needs and demands of its many stakeholders.

Corporate Social Responsibility means considering, within company decisions, all legitimate demands of the various categories of stakeholders, balancing these demands and integrating them into company strategy.

Hera has mapped its company stakeholders. The starting point was a survey of corporate stakeholders and of current listening and dialogue activities. Various stakeholder classes were then identified and, for each, a breakdown was provided. The presence of targets of particular interest and the issues of particular significance to these targets were also identified. Following this process of identifying corporate stakeholders, an assessment was made of the influence each group exerts on corporate decision-making processes and the significance of each group with respect to corporate activities. These two aspects are assessed in the light of the decision-making power, pertaining legal or contractual obligations, employment relations with the company and links with corporate strategies.

Mapping of the stakeholders and key issues to be targeted by involvement actions enabled us to pinpoint the stakeholders of major importance for the company (workforce, customers, shareholders), a second group of stakeholders with interests of a broader nature but with the significant potential of influencing corporate decisions (financial institutions, suppliers, public administration, local communities) and a category of stakeholders whose interests are only indirectly represented (the environment and future generations).

Stakeholders	Main classes	Key issues	Key listening, dialogue and involvement initiatives
Workforce	<ul style="list-style-type: none"> - Employees - Non-employee workforce - Union organisations 	Stability, internal climate, training, career advancement, bonuses, pay, balance between work and non-work activities, safety, internal communication	<ul style="list-style-type: none"> - Biennial internal climate survey: the second survey was completed in 2007 (2,801 or 46% of the questionnaires sent out were completed); the third survey is scheduled for the second half of 2009 - AlfabEtico: over 97% of the employees discussed with their own “manager”/facilitator the contents of the Code of Ethics - Meetings with the Chairman and Managing Director for presentation of the industrial plan to the entire workforce (in February 2008, meetings with the entire staff took place), while another series of meetings is scheduled for May 2009 - Improvement groups (17 groups were set up in 2008, 14 of which concluded their work as at 31 December 2008 while 3 are continuing) - Meetings to present the Sustainability Report 2007 (involving approx. 440 workers) - Application of a dedicated section on Corporate Social Responsibility in the Hera Group Supplementary Collective Labour Agreement 22/03/06: discussion with the mobility management delegation, project on enhancing diversity, developing the Scuola Mestieri (School of Trades) model, changing the company’s workplace safety system and certifying management systems. - Survey on satisfaction with the canteen service with 1,123 questionnaires completed (1,000 meals per day are served by the four canteens in question)
Customers	<ul style="list-style-type: none"> - Residential customers - Customer bases in areas served - Business customers - Consumer groups and trade associations 	Service quality, tariffs, transparency, safety, service reliability, communication and information	<ul style="list-style-type: none"> - Annual residential and business customer satisfaction survey: 2,937 interviews of residential customers, a stratified sample by local area, consumer range and service, 801 interviews of business customers, a stratified sample by local area and turnover - Survey on the satisfaction of the public with the public lighting. 1,506 interviews were carried out with residents - Survey of the satisfaction of customers with the district heating service: 345 persons interviewed. - Quantitative survey on the “<i>Hera Insieme</i>” initiative through one on one telephone interviews. This involved 500 customers in 2008. - Meeting in December with several representatives of consumer associations in order to hear their opinion of “<i>Hera Insieme</i>.” - Focus Group on the commercial structure of the Group in March and April on aspects relating to the image, current and anticipated identity. - Sending of the application of the agreement initiated by Confservizi Emilia-Romagna for the activation of the protocol for joint mediation.
Shareholders	<ul style="list-style-type: none"> - Public shareholders - Institutional investors - Private investors - Financial community - Ethical funds 	Dividends, share performance, investor relations, corporate governance aligned with best practices	<ul style="list-style-type: none"> - Investor Relations: meetings with 365 investors - Participation in the third Environment Forum which takes place each year in Paris; meeting with over 30 new ethical investors. - Quarterly publication of the Newsletter for private investors and implementation of the “interactive financial statements” on the website, with a format that allows investors to request information and/or documents. - Increased participation of shareholders in the assembly held as at 29 April 2008: shareholders representing 60.3% of the capital participated, of which 3.4% were professional investors from abroad.
Financial	<ul style="list-style-type: none"> - Banks - Bond market 	Continuity of relations, long-term solidity of equity	

Stakeholders	Main classes	Key issues	Key listening, dialogue and involvement initiatives
Suppliers	<ul style="list-style-type: none"> - Suppliers of goods and services and temping agencies - Qualified suppliers - Local suppliers 	Continuity of relations, qualification, bargaining conditions, payment deadlines	<ul style="list-style-type: none"> - Meetings for the presentation of the project and procurement and the Code of Ethics in Bologna, Cesena, Ferrara, Imola, Modena, Ravenna and Rimini, which were attended overall by approximately sixty representatives of local economic associations - Meeting with Professor Dalla Mura for a discussion on “Analysis of applicable regulations on the contracting of services to social cooperatives”, which was attended by consortia of social cooperatives and social cooperatives Legacoop and Confcooperative - Meetings with the associations that were signatories of the “Memorandum of Understanding for the Hiring of People Facing Hardship” for the periodic monitoring of the protocol’s application - Establishment of a dialogue activity between the economic representatives of haulers and providers of logistics and environmental services and a technical work group that carried out an analysis of some cost dynamics
Public Administrations	<ul style="list-style-type: none"> - Local government authorities - Regulatory bodies - Universities - State administrations 	Transparent communication, concern over local issues, compliance with the law, correct management practices, innovation	<ul style="list-style-type: none"> - The Users Representation Council (<i>Consiglio di Rappresentanza delle Utenti or CRU</i>) was established for the Ferrara area
Local community	<ul style="list-style-type: none"> - Local groups and associations - Trade associations - Media - Residents in the vicinity of production plants - Citizens’ committees 	Support for initiatives, local investment, transparent communication, socially responsible corporate management	<ul style="list-style-type: none"> - Residential Advisory Board– (RAB) in Ferrara, Imola and Raibano (Rimini) - Convention in Ferrara on 22 May 2008 to present the 2007 Sustainability Report - Conventions and meetings for the presentation of the 2007 Sustainability Report to the local stakeholders of Imola, Rimini, Ferrara and Forlì
Environment and future generations	<ul style="list-style-type: none"> - Environmental groups 	Production of energy from renewable sources, energy and water saving, district heating, water withdrawal, greenhouse gas emissions, atmospheric emissions, separate waste collection, waste disposal	<ul style="list-style-type: none"> - Participation in Local Agenda 21 Programmes (Ferrara, Modena, Ravenna) - Event promoting interest in participation in the “Microkyoto imprese” protocol promoted by the Province and signed by Impronta Etica - Local initiatives to promote energy and water savings and separate waste collection - Agreements with Large Scale Distribution for responsible consumption, with particular attention paid to the prevention of waste and to separate waste collection - Partnership with Legambiente Turismo for application of the protocol signed in 2007 for the promotion of sustainable tourism best practices with regard to the production and disposal of waste

Listening, dialogue and involvement initiatives

Hera’s commitment to developing listening and dialogue initiatives to engage stakeholders was evident in our actions in 2008 as well. This is by now a structural

element within the operational methods of the organisational units in charge of relations with various stakeholders.

In 2008, we worked towards making these operating procedures official by defining a guideline that will make it possible to standardise the identification, planning, realization, results analysis and reporting procedures for the dialogue and consultation procedures while promoting an explicit connection between shareholder involvement and decision making processes.

The Corporate Social Responsibility unit will be in charge of defining strategic objectives at least every three years: it will then be up to each department to define an annual program of dialogue and consultation initiatives with their stakeholders. Concluding considerations will be compiled at the end of each CSR initiative and there will be an annual review of the involvement initiatives carried out, in view of the new planning cycle.

The guideline will provide structure to consolidated practices: the internal climate survey, the meetings of the Chairman and Managing Director with the workforce to present the industrial plan, the customer satisfaction survey, the RAB (Residential Advisory Boards), the improvement groups, the meetings for the presentation of the Sustainability Report, the guided visits to the plants and the assessment by stakeholders of new offers/campaigns before they are released.

The individual listening, dialogue and involvement initiatives carried out in 2008 for each stakeholder category are set forth in the pages that follow.

The Workforce

In compliance with the commitments it assumed by signing the Group Supplementary Collective Labour Agreement as at 22 March 2006, which particularly stresses Corporate Social Responsibility and which considers the workforce a fundamental stakeholder of the company and union organisations a central figure for the promotion of CSR principles, Hera involved the latter by presenting to them the basic contents of the Sustainability Report.

Other initiatives were also presented to union organisations including Hera's mobility management, the enhancing the value of diversity project, the development of the *Scuola Mestieri* (School of Trades), the main changes in the workplace safety system and the management system certification process. With regard to the performance bonus, a meeting was held during the year on the performance of the indicators.

The internal climate survey

The internal climate survey is a fundamental instrument in the ongoing process of improvement, involvement and enhancement of the workforce, which are two of the operational principles set forth in the Hera Group Charter of Values.

Following the results of the survey in 2007, the improvement actions defined as part of the criticalities that were discovered were set up during 2008. The results of the climate survey for 2007 and the improvement actions that were defined were communicated to all the employees through a special insert in the February 2008 edition of the House Organ and the Sustainability Report.

As per Hera's commitment to carry out this type of survey every two years in order to assess the effects of the improvements on the climate and employee motivation, the third internal climate survey will be carried out in the second half of 2009.

The progress of the improvement actions as at 31 December 2008

Role in Hera	
Improvement actions	The situation as at 31 December 2008
<ul style="list-style-type: none"> Effect a meeting point between the demand for and offer of jobs to improve management of internal mobility Further develop the model of the School of Trades and promote new methods for providing training (e-learning) Add descriptions of corporate departments and roles to the organisational structure section of the company intranet Continue the actions previously implemented with further explanation of the items which make up the pay slip, as well as the initiatives already launched for communication to employees and trade unions on the trend in performance bonus indicators and the criteria for determining such bonuses 	<ul style="list-style-type: none"> The on line Job Posting system was implemented in support of internal mobility Six new notebooks were published upon the conclusion of the "Cantieri" [sections] 2007, once the call centre and back office work sites were completed. The e-learning training course on privacy, the Office Suite and the "Developing resources" project in collaboration with the ASPHI Foundation took place Activity underway Further explanations will be provided for new contractual/regulatory items. A meeting during which the union representatives were informed about the progress of the performance bonus indicators was held
Workplace	
Improvement actions	The situation as at 31 December 2008
<ul style="list-style-type: none"> Ensure continuity in the meetings with Senior Management of the various local areas Improve workspaces (i.e., offices, furniture, cleaning) and communal spaces (i.e. canteen, washrooms) Improve internal communications tools, specifically regarding the company intranet, also based on the results of the specific study conducted in 2007 Organise meetings of the Directors of the individual Territorial Operative Companies and Divisions with employees 	<ul style="list-style-type: none"> 17 meetings were held with all employees in February 2008, while a new series of meetings will take place in May 2009 Standards for office furnishings were defined, new furnishings were installed for workstations in several offices (this affected 240 employees in the Bologna main office), a competition was held for the purchase of the furniture with particular attention paid to the environmental impact thereof. A competition for a new canteen operator took place, who will take over on 1 April 2009: Social and environmental aspects were part of the assessment criteria, while perceived quality was considered Parts of PIA's homepage were re-organised while new parts were added in the Company and Customers sections, as were the new "Ansa Live" and Ansa Web News" services. The analysis and planning for the new portal began. Completion is set for 2009 The scheduled meetings in the Services Division of Hera Ferrara and Hera Imola-Faenza took place, while they were replaced by other actions in Hera Bologna and Hera Modena (top down meetings)
Immediate superiors	
Improvement actions	The situation as at 31 December 2008
<ul style="list-style-type: none"> Extend to the entire organisation the training initiatives which develop managerial skills for executives, managers and supervisors in charge of organisational units and personnel Organise periodic meetings (i.e., quarterly) of the various managers with the personnel in their organisational units for the purpose of sharing and listening 	<ul style="list-style-type: none"> The High Level Training Course for executives and management, "Regulation and markets in public utility services" was held for the second time, in collaboration with the Alma Mater Foundation The scheduled meetings were held in the Waste Management, the Large Plant Engineering and Electricity Distribution, Fluid Distribution, District Heating divisions and at Hera Bologna, Hera Ferrara, Hera Imola-Faenza, Hera Modena and Hera Rimini

Corporate culture	
Improvement actions	The situation as at 31 December 2008
<ul style="list-style-type: none"> • Consolidate the Improvement Groups in the Territorial Operative Companies and extend them to the Operational Divisions as a tool for involvement and listening, and continue the monitoring and feedback on the implementation of the approved proposals • Promote the adoption of conduct consistent with the company Charter of Values and the contents of the Code of Ethics • Promote consistent and sustainable conduct through specific projects within the various company locations (i.e. energy savings, separate waste collection, promote drinking tap water in offices) 	<ul style="list-style-type: none"> • 12 Improvement Groups were started at the Territorial Operative Companies; the model was introduced in the Waste Management, Services, Sales and Marketing Divisions. The periodic monitoring and feedback collection model was set up • The top down dissemination of the contents of the Code of Ethics involved 97% of employees • The energy “waste chase” procedure (analysis of consumption curves, definition of reference models and variation analyses) was applied, as were regulations for air conditioning systems and automatic switching off of lights, while measures and analyses of temperature curves were activated. A separate waste collection model was defined within the branches, waste containers are being made uniform and the collection has begun in the Berti Pichat branch. The first two phases of the Hera₂O project for the promotion of tap water were carried out

Improvement Groups

The improvement groups represent the medium through which the workforce can become involved (particularly white and blue collar workers) and it was adopted by Hera in order to stimulate active participation in the improvement of daily work activities, enhance professional skills and improve the climate, motivation and sense of belonging.

17 Improvement groups were started up in 2008 (as opposed to 15 in 2007), of which 14 have concluded their work and 3 will be completing their mission in the initial months of 2009. In 2008, Improvement Groups were started in the Environment, Sales and Marketing and Services areas, in addition to the Territorial Operative Companies. We mention in particular the results of two groups: the “New assets creation” group which worked in Hera Imola-Faenza and the “Waste Management Division plants” group. The first group has identified the need to improve management of work progress and the final testing of new assets: the action will begin within May 2009 with changes to existing modules and check lists and the elaboration of a new instruction manual. The Waste Management Division has identified the opportunity of redefining the period supplier assessment checklist together with plant management and has proposed the transferral of maintenance personnel to be buyers at the Hera S.p.A. Purchases Office and the drafting of four standard contracts (electrical, mechanical, refractory materials, construction).

In 2009, the improvement groups will be extended to several subsidiaries (already from June, one group was activated at Famula On-Line). As provided by the model defined in 2008, the improvement initiatives that were approved by the respective Departments will continue to be monitored and feedback will be provided to employees.

Other initiatives for workers

From February to March 2008, for the third consecutive year, the Chairman and Managing Director presented the Group’s Industrial Plan to over 6,000 employees: the meetings also focused on presenting the results of the internal climate survey which was carried out in the autumn 2007.

Dialogue as a strategic resource

Starting from May 2008, on a quarterly basis, the managers of Hera Modena's organisational units invite their staff to meetings which last several hours: in the first part of the meeting, information is exchanged on the activity underway and corporate strategies and dialogue on the themes in question takes place in the second part. The objective is to stimulate the circulation of information within the company, in a climate of transparent dialogue and reciprocal cooperation. Over three-quarters of company workers attend these meetings, and their overall assessment of the meetings, measured using a questionnaire in September 2008, is over 7.7 points out 10.

In May 2008, the first internal survey on the satisfaction with the company canteen was carried out and will be repeated in 2009. The overall result of the survey was mediocre (4.9 over 10 points). We received indications (low quality of the food and its preparation, the significance of certain factors such as odours and noise in the eating area, etc.), which were taken into account in drafting the call for tender and setting the assessment criteria for the selection of the new operator for the next five years from 1 April 2009. The new supply was granted based on technical criteria (60/100) and financial criteria (40/100): among the technical criteria were the quality of the menus, with attention paid to the procedures for gauging the quality perceived by the users (forms for complaints, periodic audits of the operator, etc.), the professional profiles of the personnel employed, the use of local raw materials, sustainable operation (use of tap water, water and energy savings, waste prevention, separate waste collection), proposals for the improvement of canteen spaces and equipment.

Customers

Customer satisfaction survey

In November 2008, the survey on the satisfaction of residential customers was carried out. It was followed by the recording of the overall satisfaction of all the business customer segments.

The preparation of the 2008 survey involved the review of the questionnaire, which required interaction with the various company areas, so as to maintain the same line-up of developments and activities to test. In particular, a question relating to the Environmental Hygiene service was added and referred to how convenient it was to access the bins for the separate waste collection as well as another question on how easy it was to access Hera's branches.

The 2008 results show a net increase in the overall satisfaction index (CSI) of residential customers, which has once again reached 67, in line with the levels of 2005 and 2006: The index includes the intangible elements of ideals and expectations, and media and management effects. This increase is the result of an increment in or the maintenance of satisfaction in all Territorial Operative Companies, with a net increase recorded in Rimini and Modena. The Services CSI which expresses the satisfaction of customers only insofar as the actual service provided (electricity, gas, water and waste) has increased by one point to reach 72. The customer distribution has changed, since the

“extremely happy” customers have increased by three points: 40% gave a rating of 70 points or above over 100.

Assessment of overall satisfaction of residential customers

CSI (from 0 to 100)	2006	2007	2008
Service satisfaction index (Services CSI)	71	71	72
Overall satisfaction index (CSI)	67	65	67
Global satisfaction	70	68	70
Satisfaction with respect to expectations	66	63	66
Satisfaction with respect to the ideal	65	62	64

The increase in the indices may be due to the improvements deriving from the various actions that were set up in 2008. In particular, a project aimed at optimising line management at the main area branches was developed gradually, so that waiting times improved significantly, from 29 minutes in January to 11 minutes in the last quarter of the year. Other important training projects took place for operators that were aimed at improving their skills and therefore their capacity of resolving the problems set forth by clients. Finally, communication procedures relating to environmental hygiene improved, with a particular focus on several areas, with the production and distribution of information brochures, meetings with citizens, hoteliers and other stakeholders.

More actions aimed at improving customer satisfaction have been put in place for 2009. These focus mainly on more effective and regular communication with them, and increased information on issues in areas such as investments in the water service and waste management. We will launch the new Hera Insieme club, which aims to build loyalty in customers and was developed in the last few months of 2008, starting from the results of 4 focus groups with customers that were held in 2007 and a quantitative survey carried out through telephone interviews which involved 500 customers in July 2008. The contents of Hera Insieme were shared with some consumer association representatives in a meeting held specifically for this purpose in December: the savings and sustainable purchases are the two elements that characterise the new Hera Insieme. The initiative was favourably viewed by the associations that were present and there was an interest in promoting it within the association in order to facilitate customers in carrying out a dialogue with Hera.

With regard to the survey of the business customers, the global index that covers the entire business macro-sectors, from the small businesses to large concerns, is essentially stable (with a slight increase from 61.6 in 2007 to 62.3 in 2008). There has been an increase in the Services CSI (from 68.6 to 70.3), which is due to the increased satisfaction of all sectors with the electricity and gas services. The satisfaction indicator for call centres has improved across all business sectors. In 2008, we concentrated on billing, which was a critical element in previous years. The excellent results were apparent to the customers of various segments, as there was an increase from 5 to 9 points, with ratings reaching 76.

In order to satisfy customer demand, projects aimed at improving the clarity of the bills will be launched in 2009.

Assessment of business customer satisfaction(from small businesses to large companies)

CSI (from 0 to 100)	2006	2007	2008
Service satisfaction index (Services CSI)	68	69	70
Overall satisfaction index (CSI)	62	62	62
Global satisfaction	65	64	65
Satisfaction with respect to expectations	60	61	61
Satisfaction with respect to the ideal	60	59	59

In Fall 2008 Hera Luce conducted a survey aimed at measuring the satisfaction of citizens residing in the municipalities in which Hera Luce manages the public lighting services in terms of lighting quality (intensity and uniformity), the lighting of major and secondary roads, monuments and historical, artistic and cultural sites, the frequency of outages, malfunctions of light points and the speed with which repairs are carried out. There was also an objective of measuring the interest that citizens have in reducing electricity consumption through reductions in public lighting and finally, the changes compared to the previous survey in 2006. The satisfaction indicator of citizens insofar as public lighting has increased by one point to reach 70, and is thus between adequate and satisfactory. The most satisfied customers currently are those who reside in Modena and Rimini, with an improved indicator compared to 2006, while the indicator is essentially stable in other territories. The components affecting the quality of lighting are increasing and are all approaching excellence, however the opinion on the illumination in parks, gardens and night parking areas remains at a critical point, though improved compared to 2006. The citizens who would be amenable to partially decreasing lighting in order to reduce electricity consumption have increased, but lighting at night remains a fundamental requirement, since it ensures safety.

In 2008, a customer satisfaction survey was carried out on district heating customers, with 345 customers interviewed out of a base of 6,163 customers.

The interviews were conducted by telephone in December 2008, using a short questionnaire focused on district heating services. The overall satisfaction has increased, with a CSI of 73. At the territorial level, Imola received the highest rating, with a CSI of 76. Reliability and the impact of district heating on the environment are the service's main strong points, while the expense, the contract (accessibility and problem solving) and the bill are its weakest points. The rating given by customers who have an independent plant is higher than the ratings of customers with centralised plants. District heating is perceived as a service with a high environmental value, given that it promotes rational use of energy.

Other customer listening, dialogue and involvement initiatives

In 2008, Hera participated in work that resulted in the three Emilia-Romagna companies and the twelve regional consumer associations to agree to apply the protocol signed in 2007 for joint mediation in electricity and gas services. The collaboration with the consumer associations has resulted in a single communication campaign, the promotion of the procedure with identical procedures through the Internet and the company and association branches and the carrying out on 3 and 4 December 2008 of a single training course for mediators representing companies and consumers. On 1 February 2009 the procedure was tested and, thanks to the collaboration of the association mediators, the mediation committee will meet and work via web conference, with Hera's mediator

participating from Bologna and the consumer mediator participating from the Hera office in his/her own city.

The Territorial Operative Companies hold regular listening and dialogue activities with number local consumer associations. In addition to the memorandum of understanding signed by Hera Forlì-Cesena with several associations, with which meetings were once again held each quarter in 2008, in other territories there was constant dialogue with local consumer association representatives. Daily contact procedures were set up, in certain cases by making available an employee dedicated to maintaining the relations with these associations. Periodic meetings were held in Ferrara (with the municipal legal counsels of some municipalities invited as well), Imola, Modena and Ravenna.

In Modena, Hera instituted round table discussions with consumer and economic-production representatives in the territory on issues of common interest. In particular, Hera worked with trade associations in order to analyse the environmental hygiene service. On the other hand, periodic meetings are set up with consumer associations to discuss the impact that Hera's actions have on its customers. These opportunities for dialogue allowed Hera to delve deeper into the requirements of its stakeholders and the latter to better understand the strategies that guide Hera's actions.

Hera maintains daily contacts with the trade associations in its local areas of operation so as to improve the services provided and promotes competitive gas and energy offers through commercial agreements that are, above all, extremely transparent. The trade associations are a vehicle through which it is possible to develop seminars and specific projects relating to the services provided by Hera. The numerous interventions in the territory have involved:

- training of the association personnel;
- technical seminars for associated companies;
- conferences on optimising energy consumption at work and making it more efficient;
- "summary information" on the main organs of communication; press conferences, editorials, news, specials, etc.;
- national events developed in Hera's territory of reference.

The approach that Hera follows is to satisfy the requests for intervention insofar as communication, dialogue and the resolution of problems. In 2008, 60 trade associations were involved.

Shareholders

The activities regarding financial communication by Hera and relations with financial market operators have increased steadily over the years. In 2008, there were contacts with 365 investors (compared to 360 in 2007): these took the form of one to one visits, company visits, conference calls, videoconferences via webcasting and involved Italian and foreign investors (mainly British, Swiss, Dutch and French), despite the interruption of relations (from May to October) due to a confidentiality clause signed as part of the merger negotiations with Iride and Eni.

Hera participated in the third Environment Forum that is organised each year in Paris: it was an excellent opportunity to meet over 30 new ethical investors, who were mainly French, who came to know and appreciate Hera's sustainability profile.

Quarterly newsletters were published for private investors and the “interactive financial statement” instrument was activated on the website to allow comparison with past quarterly, half-yearly and annual results through an easy to understand interface. A format was created within the Investor Relations section through which investors can send a request for information and/or documents.

Hera’s shareholders’ meetings are generally well attended by shareholders. In the last meeting held as at 29 April 2008, shareholders representing 60.3% of the capital attended and of these, 3.4% were professional investors from abroad.

Suppliers

Upon the launch of the e-procurement project, in April 2008 Hera organised seven meetings with the economic associations of every territory to present the project, while a commitment was made to hold further meetings in 2009 in order to promote usage of the web platform for suppliers. During these meetings, the contents of Hera’s Code of Ethics were presented to participants, while particular attention was paid to aspects relating to the relations between the Group and its suppliers

In 2004, Hera signed a memorandum of understanding with regional social cooperatives in order to identify increasing percentages of activities to be earmarked for social cooperatives, in order to facilitate the employment of persons with disabilities or who are socially challenged. This activity is periodically monitored through annual meetings with the signatory associations.

On 10 July 2008 at the offices of Hera S.p.A. in Bologna, there was a meeting with Professor Dalla Mura for a discussion on the “Analysis of applicable regulations on the contracting of services to social cooperatives”, which was attended by Hera’s purchase managers and representatives of social cooperative consortia, social cooperatives and the regional representatives of Legacoop and Confcooperative.

Hera has also established a round table with representatives of the category of SMEs and in particular of haulers and providers of logistics and waste management services. The meetings are usually held once a year, or as needed in the event that there are particular issues to address. In January 2008 a technical work group ensued which held two meetings attended by Hera technicians and several service providers, during which price dynamics and their composition were analysed. This is a very profitable exchange that allows Hera to learn about supplier cost dynamics and for suppliers to express their points of view, in a context of complete transparency.

Local Communities

In article 57 of its Code of Ethics, Hera commits to “... giving due regard to the suggestions deriving from the communities in which it operates and to this end sets up consultation, information and participatory initiatives.” This is particularly true for communities located near the plants. The most important commitment is in areas where construction is underway or new waste disposal plants or electricity production are being deployed.

In 2008, the activities of the Ferrara and Imola RABs continued, while the Raibano (Rimini) RAB was launched and further relations were developed with the various local communities.

What is a RAB?

RABs (Residential Advisory Boards) are a way companies and the public at large can get together and exchange information and monitor environmental indicators.

RABs facilitate communication, information exchanges and interaction between companies and local communities in the urbanized areas in the vicinity of corporate plants. This mechanism was tested for the first time in 1998 in Holland on the outskirts of Rotterdam, hosting a petrochemical complex managed by Shell.

The aim is to create communication and interaction modes between parties in operations involving large companies or aggregations of companies within contexts in which potential or likely adverse effects or risks are associated with corporate activities, directly impacting the urban environment.

The RAB at Ferrara

The first RAB (Residential Advisory Board) organised by the Hera Group started up in Ferrara (Circoscrizione Nord Ovest) in 2005, upon the upgrading of the waste-to-energy plant managed by Hera.

The Ferrara RAB is composed of six members elected by citizens of the neighbourhoods in question, three representatives of the neighbourhood in which the plant is located and three Hera representatives.

The planned model has introduced many innovative elements in the relations between Hera and the local community insofar as the presence and environmental impact of the waste to energy plant. The distinctive features that the RAB has created in its role are as follows:

- RAB members from the citizenry can freely access the Hera plants in Ferrara, in order to personally check on operations and view the main documents (analysis of atmospheric emissions, waste products records etc.);
- significant activities of data collection and documentation: in the first three and a half years of its activity (from May 2005 to December 2008), the RAB met approximately 90 times, over twice a month on the average;
- the organisation of public meetings, involving technicians and specialists who illustrate and discuss the issues identified. Specific attention was paid to health aspects linked to waste management and separate waste collection. With regard to this latter issue, the RAB initiated a series of meetings with the various divisions of the territory surrounding the plant in the initial months of 2008;
- control of compliance with commitments undertaken, such as local offsets, meaning the creation of a new roadway link, the diffusion of district heating (connected to the recovery of heat from waste-to-energy plants), and the realisation of a new wooded area in the area between the plant and the nearby inhabited area of Porotto: six hectares were planted with indigenous plants that belong to the local phytoclimatic context.

In June 2008 the new citizens that will sit on the RAB were elected: The new Council, which will remain in office for three years, has defined its work plan which led, in Fall 2008, to a series of meetings with technicians and managers from Hera, the Province,

Arpa and the Usl Agency in order to gain knowledge about the plant and the context in which it operates. During these initial meetings, particular attention was paid to the contents of the AIA (*Autorizzazione Integrata Ambientale* or Integrated Environmental Authorisation), which was issued by the Province of Ferrara as at 11 March 2008: among the themes on which the citizens focused was the outcome of a recourse submitted to the Regional Court Administration and the new environmental and sanitary monitoring protocol developed by Arpa.

The website www.rab-fe.org has been launched, which provides documentation, the RAB newsletter and updated information on planned initiatives.

As a result of this project, in 2006 the Hera Group was awarded the Sodalitas Social Award in the category “Internal Social Responsibility Processes”.

The RAB at Imola

Linked to the cogeneration plant constructed in Imola, the RAB is composed of 12 members: 3 representatives of Hera and 9 residents, 3 of which were appointed by two forums (district boards), one by a Residents Committee, and 6 elected on 12 April 2007 through public elections in which over 2,700 residents voted.

During the first meetings, the main documents regarding the new cogeneration plant were shared: the Environmental Impact Assessment, the Integral Environmental Authorisation, the building permit, the agreement with the Municipality of Imola, the Authorisation from the Region, the instructions from the Ministry for the Environment and Protection of Local Areas, the Ministry for Culture and the Environment and the Emilia-Romagna Region.

In order to better address the various issues and render the work of the organisation more effective, the RAB has established three internal working groups: technical issues, environmental and health issues, and communication issues. The work of these groups is ongoing, based on work plans shared with all the members of the RAB.

The main objective of the technical working group is to supervise and verify the plant by analysing and listing all the specifications regarding the construction and operation of the plant, in order to assess Hera’s full compliance. The main objective of the working group on environmental and health issues is to provide a framework as complete as possible of the air quality in the Imola area, analysing all the sources that contribute to pollution. The working group on communication issues is working to develop the most widespread communications on the activities of the RAB as possible, using various types of media and tools: website (www.rabimola.it), newsletter, meetings with the public, press releases.

In 2008, the Committee examined more closely the issue of the district heating service costs more closely, with particular attention paid to the contributions paid for connections and the various tariff options. The analysis was carried out with direct reference to gas, which is the most widely used alternative to district heating and a comparison with the various cost components was carried out, considering also the externality of the district heating service such as the safety deriving from the absence of combustion at the residence and the need for significant maintenance by the customer. The RAB has also worked on promoting the study of air quality and the relative impact on the health of the population: a project on which Hera, the Municipality, Arpa and the Usl Agency work together in order to quantify the role of the major elements causing pollution (traffic, industry, heating, etc.) and to define an updatable assessment model based on the emissions report.

The RAB at Raibano

The RAB at Raibano was established in July 2008 to facilitate the exchange of information between the citizens residing in parts of the Municipalities of Coriano, Riccione and Misano Adriatico and the Hera Group, in relation to the expansion of the local waste to energy plant. The Raibano Committee consists of six citizens appointed by public assemblies that were held in two parts of the areas, three representatives of the municipalities in question, two representatives of the environmental associations, two company representatives (Hera and a trade association representing the companies of the industrial zone surrounding the plant), while two representatives of the Hera Group are permanent guests, one for the technical aspects that are inherent in the waste to energy plant and one in charge of operations coordination of the activity.

In its first months of existence, the RAB at Raibano examined certain issues relating to the overhaul of the plant (time schedule and technical specifications at the macro level) and set up a general discussion on the efficiency of the instruments adopted to increase the separate waste collection. Furthermore, a communications plan was started which provides, among other things, for the opening of a specific resident relations office and the creation of a website.

Initiatives for engaging local communities

For the purpose of systematic engagement of residents in regard to the expansion of the Modena waste-to-energy plant, an Environmental Observatory was formed in 2006, which includes the Province of Modena, the Agenzia per l'Energia e lo Sviluppo Sostenibile, Hera Modena, Arpa Modena, Circoscrizione 2, Usl and Arpa Modena, the Agenzia per l'Energia e lo Sviluppo Sostenibile, Hera Modena and representatives of residents. In 2008 the activities of the Observatory continued with more meetings in which issues such as the following were discussed: Arpa's activity with the presentation of the monitoring carried out, the significant Monitor project, the epidemiological studies on the effects of waste to energy plants on health, and analysis of the engineering of the waste to energy plant compared to other plants/technologies. For further information, please visit www.comune.modena.it/ambiente/documenti/documentazione/osservatorio-termovalorizzatore.

The Environment and Future Generations

The Group collaborates with and participates in, often in the role of promoter, local area initiatives for water and energy saving.

Some of the areas in which Hera representatives have worked for some time are the Local Agende 21 of the Municipalities of Ravenna, Modena and Ferrara.

Hera has made strong commitments to the environment, with the voluntary adoption of environmental management systems, and their certification: EMAS regulations, which Hera adopted as a reference for the environmental certification of waste treatment plants, require the annual publication of Environmental Declarations (available on-line), which disclose data on the operations and impact of plants, improvements realised and new environmental improvement plans.

In 2008 Hera expressed its interest in signing the "Microkyoto imprese" protocol promoted by the Province of Bologna so as to facilitate the development of actions

aimed at saving energy within companies. The memorandum, developed from an idea deriving from the Forum of Agenda 21 Locale, was formally signed in January 2008 by the economic associations in the province (Unindustria, CNA) and by Impronta Etica: membership of single companies will translate into actions to reduce energy consumption, using the savings achieved for promotion and awareness-raising actions in the local areas.

Dialogue on the Sustainability Report

On Thursday, 22 May 2008 at the Pala DeAndrè arena in Ravenna, Hera presented its Sustainability Report for 2007, reserving the central role of the conference for the testimonials and assessments of the stakeholders of the Group. The event which was attended by approximately 250 persons, featured speeches by Denis Merloni, General Secretary of the Uil of Emilia Romagna, Marialuisa Villa, Institutional External Relations for Altroconsumo, Fabrizio Matteucci, Mayor of Ravenna, Mauro Pepoli, Director of AR.CO. LAVORI S.C.C. in Ravenna, Ferdinando Fabbri, President of the Province of Rimini, Massimo Cavina, Chairman of the RAB at Imola and Vito Belladonna, Director of the Provincial Section of the Arpa of Bologna. Mario Tozzi, Head Researcher of CNR IGAG and a well known television presenter, spoke about the Sustainability Report and Hera's role and focused attention on the responsible use of water and energy resources, featuring Emilia Romagna as an example of efficiency. In particular, Tozzi underlined the uniqueness of the RAB, which it defined as "an excellent experience that would be difficult to duplicate in other regions of Italy, mainly on account of the level of participation of the citizens."

After the Ravenna conference, the Report was presented at public meetings with local stakeholders. This began on 19 June at the Musei San Domenico of Forlì, followed by Rimini and Ferrara, up to the encounter held on Thursday 10 July in Imola.

The meetings opened with presentations of the local views of the Sustainability Report by the Chairmen and General Directors of the Territorial Operative Companies: sustainability figures, commitments and objectives were presented relating to the specific area. At all the meetings, the floor was given to the stakeholder representatives, who spoke 44 times in the four meetings that were organised. Mayors and assessors, chairmen of associations, technicians of ATO agencies and provincial Arpas, consumer and trade associations, suppliers, social cooperatives, trade unionists, representatives of workers for safety, RAB chairmen and university professors participated actively. All these persons expressed their opinions on Hera's approach to sustainability and their requirements and expectations. There were over 500 participants in the meetings which were closed by the Managing Director of Hera S.p.A. Maurizio Chiarini, who highlighted that two distinctive objectives of the Hera Group are achieved through these meetings: the relation with the local areas and the listening strategy.

Lastly, at the end of July the Sustainability Report was presented to the mayors of the municipalities in the areas served by Hera Modena and at the end of the year it was illustrated in Ravenna to the municipal administrators of the areas served by Hera Ravenna.

Results and Value added

This section includes the key data on economic aspects of the company.

Operating results

Consolidated income statement

(in millions of €)	2007	2008
Revenues	2,863.3	3,716.3
Change in inventories of finished products and work in progress	-4.2	2.6
Other operating income	46.0	73.1
Raw materials and consumable materials (net of changes in inventories)	-1,613.9	-2,421.4
Costs for services	-724.7	-716.0
Other operating costs	-50.4	-43.7
Personnel costs	-300.9	-331.1
Capitalised costs	238.2	248.5
EBITDA	453.4	528.3
Amortisation, depreciation and allocations	-232.8	-247.6
EBIT	220.6	280.7
Financial management	-78.0	-91.9
Pre-tax profit	142.5	188.9
Income taxes	-32.6	-78.6
Net profit for the year	109.9	110.3

The 2008 financial results include the effects of two extraordinary transactions, effective starting on 1 January, that increased the scope of our activities compared to 2007: the incorporation of SAT Sassuolo and the expansion in the Marche area with the integration of Aspes Multiservizi Pesaro di Megas S.p.A., operating in the Urbino area, which gave rise to Marche Multiservizi S.p.A.

It should also be noted that during the year, four important plant initiatives were solidified, three in the area of waste disposal and one in electricity generation:

- start-up of the Ferrara waste-to-energy plant in the first half;
- start-up of the Forlì waste-to-energy plant in the first half;
- completion of the work on the third line of the Modena waste-to-energy plant at the end of 2008;
- the parallel connection of the new combined cycle co-generation plant in Imola in December 2008, during the commercial start-up phase.

The first two plants cited above have already yielded financial results; the latter two, operational in 2009, have had important impacts only in terms of investments in this year.

Obviously, the description below is based on the full application of IAS accounting standards as provided by the regulation for listed companies.

Revenues for 2008 amounted to Euro 3,716.3 million, a 29.8% increase compared with Euro 2,863.3 million in 2007. The EBITDA rose from Euro 453.4 million in 2007 to Euro 528.3 million in 2008, an increase of 16.5%, while EBIT rose from Euro 220.6 million to Euro 280.7 million, a 27.3% growth. Net profit, which in 2007 benefited from an extraordinary tax effect of Euro 32.9 million, showed a 0.3% improvement, growing from Euro 109.9 million in 2007 to Euro 110.3 million in 2008. Net of the tax effect, the growth would have been 43.2%.

The significant increase in revenues, equal to Euro 853.0 million, or +29.8%, is more than 60% related to the increase in revenues in the Electricity Area, and more than 20% to the Gas Area. In the Electricity Area, the increase is due to trading activities that grew by more than Euro 400 million, while the remainder is connected with revenues for commercial management of final customer. In the Gas Area, the increase is due to higher volumes of gas sold and distributed in relation to the expansion of the area served, and in part, to higher sales for favourable climate trends.

The remaining increase in revenues is due to the increase in integrated water cycle and urban hygiene services revenues in relation to tariff adjustments obtained and more services provided, and the expansion of the scope of consolidation to municipalities in the Sassuolo area and Urbino province.

The increase in costs of raw materials and consumable materials, equal to Euro 807.5 million (+50.0%) is linked to the rise in costs associated with higher volumes of electricity traded and the associated increase in gas volumes sold and distributed.

Costs for services declined from Euro 724.7 million in 2007 to Euro 716.0 for the corresponding period in 2008: the reduction of Euro 8.7 million (-1.2%) was caused by lower transport costs for electricity sold connected with tariff reductions, which offset higher costs for the increase in the scope of consolidation.

The decrease in Other operating costs of Euro 6.7 million (-13.3%) was due to different processing of some accounting items in 2008, which is further explained in the explanatory notes.

As seen in the prior year, the increase in personnel costs, which grew from Euro 300.9 million in 2007 to Euro 331.1 million in 2008 (+10.0%), is primarily related to (i) the expansion of the activity area, (ii) higher charges for the social security reform that took place in the middle of 2007, and (iii) increases for renewal of national contracts in all of the Group's main contractual classes.

The increase in capitalised costs from Euro 238.2 million to Euro 248.5 million was linked to expansion in the area perimeter and to higher investments made in the Gas and Electricity Areas.

As at 31 December, the Group's consolidated EBITDA increased by Euro 75 million (+16.5%) growing from Euro 453.4 million in 2007 in Euro 528.3 million in 2008. This excellent performance is due to the new disposal plants becoming fully operational, the expansion of the company's service area and constant attention to operating costs.

Amortisation, depreciation and provisions increased by 6.3%, from Euro 232.8 million in 2007 to Euro 247.6 million in 2008 for investments undertaken in expanding the perimeter.

As a result of the above, the EBIT for 2008 increased 27.3% compared to 2007, from Euro 220.6 million to Euro 280.7 million.

Financial management showed a negative result of Euro 91.9 million, compared to Euro 78.0 million in the prior year and includes Euro 3 million of extraordinary interest expense related to the recalculation of some loans with the former Cassa Depositi and Prestiti; for more information please refer to the explanatory notes. Despite tensions in financial markets, the cost of money for the Group in 2008 remained essentially in line with prior periods, due to the financial policies adopted. The growth compared to 2007 is connected to the increase of indebtedness required as a result of the increased business volumes and Group investments.

Hence, pre-tax profit improved by Euro 46.3 million (+32.5%), passing from Euro 142.5 million in 2007 to Euro 188.9 million in 2008.

Without the extraordinary benefit of deferred taxes in 2007 equivalent to Euro 32.9 million, taxes grew from Euro 32.6 million in the prior year to Euro 78.6 million in 2008, however reducing the effective tax rate to 42.4% from 46% in the prior year (before extraordinary effects).

As a result of the above, net profit increased from Euro 109.9 million in 2007 to Euro 110.3 million in 2008, an increase of 0.3%.

Balance Sheet

(in millions of €)	31-Dec-2007	31-Dec-2008
Net tangible and intangible assets	3,256.6	3,594.5
Net working capital	119.6	-22.9
Funds	-406.0	-421.0
<i>Net capital employed</i>	<i>2,970.3</i>	<i>3,150.6</i>
Shareholders' equity	1,538.6	1,579.1
Long-term financial debt	1,403.8	1,563.2
Net short-term position	27.9	8.3
<i>Net financial position</i>	<i>1,431.7</i>	<i>1,571.5</i>
<i>Total financing sources</i>	<i>2,970.3</i>	<i>3,150.6</i>

Net invested capital increased by 6.1% in 2008, passing from Euro 2,970.3 million to Euro 3,150.6 million as a result of the aforementioned integration of companies in the Sassuolo and Urbino areas, as well as the consistent investment plan.

Fixed assets as at 31 December 2008 amounted to Euro 3,594.5 million against Euro 3,256.6 million at 31 December 2007, an increase of 10.4%

Provisions as at 2008 year end amounted to Euro 421.0 million compared with Euro 406.0 million as at 31 December 2007. The increase is essentially attributable not only to the aforesaid changes in the perimeter, but also to provisions for the post-closure of landfills and for restoring networks and plants granted under use to the Group owned by the spun-off companies (asset companies). These provisions were partially offset by the decrease in the employee leaving indemnity provisions in relation to new regulation.

The net working capital necessary for Group operations was substantially changed, passing from use of funds for Euro 119.6 million to a source of financing for Euro 22.9 million, mainly due to improved payment conditions with suppliers and better commercial credit management.

Shareholders' equity, which passed from Euro 1,538.6 million to Euro 1,579.1 million, resulted in a ratio of debt to equity of 93% in 2007 to 99.5% in 2008.

The Group's operational investments totalled Euro 419.7 million, compared to Euro 464.0 million in the same period of the previous year.

Operating investments (non financial)

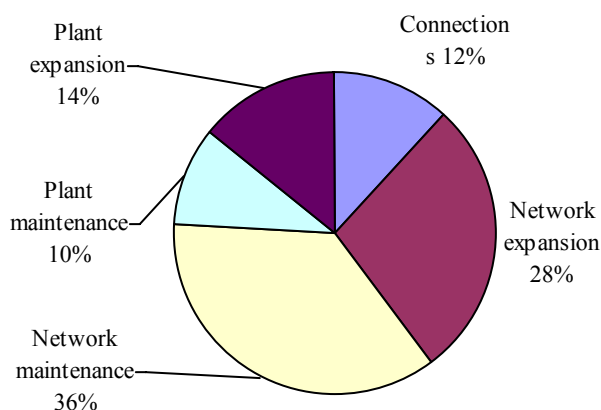
(in millions of €)	2006	2007	2008
Gas service	25.4	31.7	37.7
Electricity service	14.8	49.2	46.5
Integrated water service	100.2	131.4	114.1
Waste management services	88.8	166.2	125.2
Other services	35.4	35.0	38.7
Central Structure	56.4	50.4	57.5
Total	321.1	464.0	419.7

Investments in gas service in the area in question mainly relate to expansion, improvements and enhancement of networks and plant systems. The increase over the prior year is primarily associated with extraordinary maintenance work to requalify the distribution system and, specifically, for safety improvement measures.

Investments in the electricity service refer to the service extension and extraordinary maintenance on plants and distribution networks. About 60% of the increase compared to the prior year is due to mass replacement of meters and the remainder for service expansion and improvement. As regards investments in combined production plants of electricity and heat (CCGT), the trend in investments is linked to the progress of work on construction of the Imola plant opened at the end of 2008 and currently completing the start-up phase.

Investments related to the integrated water cycle reflected the effect of a significant rationalisation of support programmes, which resulted in a reduction of total investments along with higher capital and similar grants.

Investments in integrated water service (2008)



In 2008, 60% of investments were for extraordinary maintenance, maintenance and plant expansion. Specifically, 28% of total investments were for pipe replacement for the aqueduct service and to contain physical losses from the network. Investments in plant maintenance were equally divided between purification and water treatment while investments for plant expansion were almost entirely for the purification service.

As for the environmental area, support programmes both on plants throughout the service area as well as on plants under construction have declined. It should be noted that during 2008 the Ferrara and Forlì waste-to-energy plants were completed. In addition, the Modena plant is in the start-up phase at the beginning of 2009.

Support programmes for district heating are primarily the result of service area expansion, specifically in the areas of Bologna, Imola, Forlì-Cesena and Ferrara. Other support programmes were primarily aimed at constructing new co-generation plants at

various companies in the area and work on thermal plants connected to the heat management service.

Investments in the plant structure increased 14% in total, despite a reduction in information systems investments. The most significant increases are attributable to expansion of the operating fleet due to the significant growth in separate waste collection services, maintenance of Group real estate property and communication network investments.

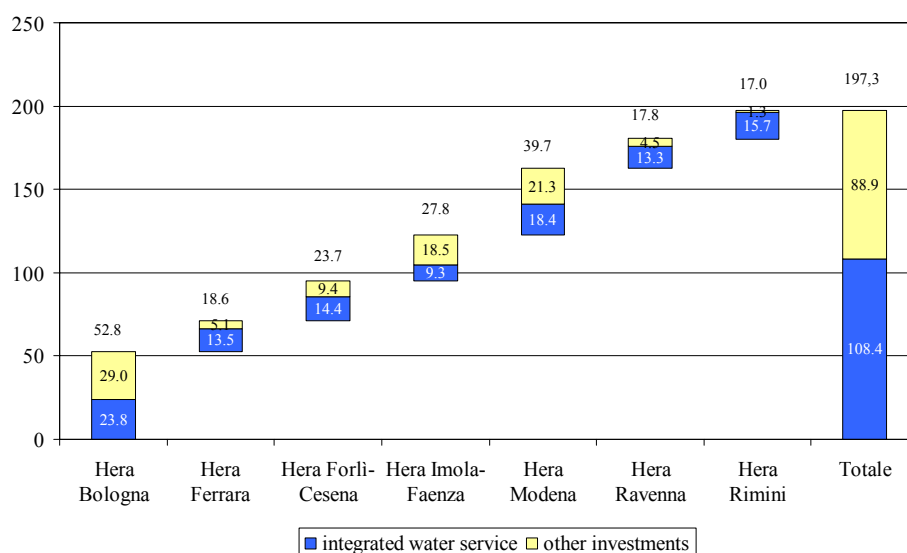
Financial equity investments and acquisitions

(in millions of €)	2006	2007	2008
Investments	183.7	7.8	9.9

In 2008, financial equity investments were made for Euro 9.9 million. These investments are related to expansion in the energy sectors through investments in new plants: Galsi and Tamarete Energia. Hera increased its investment in Galsi S.p.A from 9% to 10.4%, the company whose objective is to construct the Algeria-Sardinia gas pipeline. Hera acquired 32% of the share capital of Tamarete Energia S.r.l. in December 2008, a company operating in the electricity sector, with a capacity of 5.5 MW and that within the next two years will complete construction on a 100 MW combined cycle plant.

The Territorial Operative Companies invested Euro 197.3 million compared to Euro 196.8 million in 2007 and Euro 156.8 million in 2006.

Total investments in Territorial Operative Companies (millions of euro)



55% of investments made by the Territorial Operative Companies are for integrated water service

Financial statement ratios

	2006	2007	2008
ROI (EBIT/Net Capital Employed)	8.6%	7.4%	8.9%
ROE (Net Profit/Shareholders' Equity)	6.6%	7.1%	7.0%
Leverage (Net Financial Position/Shareholders' Equity)	77.4%	92.6%	99.5%
Turnover per open-ended contract employee as at 31/12 (thousand €)	371.2	468.3	581.5
EBITDA per open-ended contract employee as at 31/12 (thousand €)	68.5	74.2	82.7
Net profit per open-ended contract employee as at 31/12 (thousand €)	16.1	18.0	17.3
Open-ended contract employees (no.)	6,227	6,114	6,391

ROI (Return on Investment) is used to gauge corporate profitability, i.e. the ability to provide incomes, and via these incomes, to provide returns on the capital invested by shareholders and third parties. ROE (Return On Equity) is a further profitability ratio gauging the company's capacity to provide returns on the capital invested by shareholders.

Leverage is an index indicating the extent of borrowing with respect to shareholders' equity.

Allocation of value added

Value added, in this Sustainability Report, is understood as the difference between revenues and production costs not constituting corporate stakeholder remuneration. Value added is, from this angle, distinct from the value added strictly applying to accounting practices. In this, the methodology applied is that proposed in 2001 by the Gruppo di studio per il Bilancio Sociale (social report study group) (GBS). With respect to the GBS methodology, rentals for use of assets owned by shareholder municipalities and sponsorship costs are considered, as they are deemed significant for stakeholders. In addition, as opposed to the GBS proposal, the portion of value allocated to financial institutions was calculated considering the balance of financial income and charges, as this was deemed a better quantification of the relationship of this type of stakeholder, as opposed to the sole figure of financial charges. With this framework, the gross overall value added distributed is almost equal to the gross value added produced by normal operations.

There are two important reasons for using the indicator of value added. Firstly it enables quantification of the wealth generated by the company, and accounts for how this wealth was generated and how it is allocated to stakeholders. Secondly, through this report, it connects the Sustainability Report with the Financial Statements. In this sense, production and allocation of added value provides an instrument by which we can reconsider the corporate Financial Statements from the vantage point of stakeholders.

The GRI G3 guidelines also include among the indicators the economic value generated and distributed to stakeholders. This indicator varies from the amount of value added indicated in this paragraph mainly because it also considers the distribution of economic value to suppliers, which in 2008 amounted to Euro 3,716.3 million. Of this value, the share destined for suppliers of raw materials (methane and electrical energy destined for sale) amounted to Euro 2,273.7 million.

Production of value added

(in millions of €)	2006	2007	2008
Revenues	2,311.5	2,863.3	3,716.3
Change in inventories of finished products and work in progress	2.7	-4.2	2.6
Other operating income	50.3	46.0	73.1
Grants received from public institutions	-12.3	-10.9	-14.0
Use of raw materials and consumables (net of changes in inventories of raw materials and stock)	-1,146.7	-1,613.9	-2,421.4
Costs for services	-569.8	-653.3	-633.9
Bad debt provisions	-7.5	-26.4	-22.4
Accruals to provisions for contingencies and other provisions	-22.2	-30.1	-28.3
Other operating costs	-9.9	-12.2	-13.5
Capitalised costs	194.5	238.2	248.5
Gross value added	790.6	796.5	906.9
Write-back of technical fixed assets	0	0	0
Portion of profit (loss) pertaining to associated companies	1.8	1.2	2.1
Gross overall value added	792.4	797.8	909.2

Gross overall value added generated for stakeholders in 2008 came to Euro 909.2 million, an increase of Euro 111.4 million on the previous year (+14%).

Distribution of value added to stakeholders

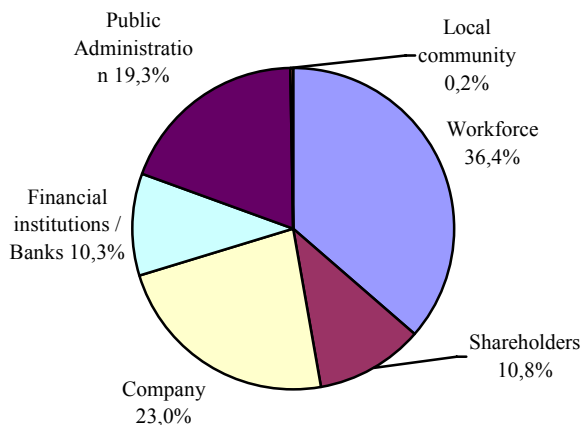
(in millions of €)	2006	2007	2008
Workforce	296.7	300.9	331.1
Shareholders	91.5	96.3	98.1
Company	174.4	189.8	209.0
Financial institutions/Banks	53.9	79.3	94.0
Public administration	174.2	129.8	175.3
Local community	1.8	1.7	1.7
Gross overall value added	792.4	797.8	909.2

The portion of value added allocated to the **workforce** increased by Euro 30.2 million (+10%) compared to 2007. Compared to the total value added produced, this portion represents 36.4%, and consists in wages and salaries (including employer social security contributions and provision for employee leaving indemnities).

The portion allocated to the **shareholders** of Hera or of subsidiaries rose by Euro 1.8 million (2%) and is equivalent to 10.8% of the total. Of this portion, Euro 82.6 million was allocated as dividends distributed to Hera S.p.A. shareholders, and Euro 15.5 million was allocated as dividend for minority shareholders of the subsidiaries of Hera S.p.A. A portion totalling 23.0% of the value added generated in 2007 was re-invested in the **Company**. This portion includes the net profit for the year not allocated to shareholders (Euro 12.2 million) and amortisation of area investments effected by the **Company** (Euro 196.8 million, +12%).

The portion of value added allocated to **financial institutions** in 2008 came to Euro 94.0 million (10.3% of the total, +18% compared to 2007). This share comprises Euro 116.2 million in financial charges, and Euro 22.2 million in financial income.

Distribution of value added to stakeholders (2008)



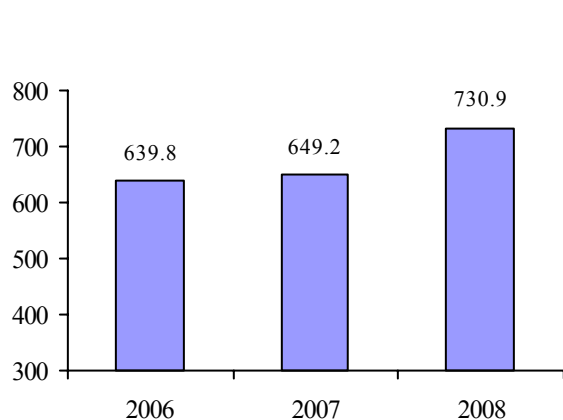
The portion distributed to **Public Administration** amounted to Euro 175.3 million, 19.3% of the total (+35% compared to 2007). Duties and taxes amounted to Euro 96.3 million (10.6% of the total value added distributed, 58% more than 2007). Of the taxes and duties, Euro 58.2 million was allocated to the State, Euro 35.5 million to the Regional authorities and Euro 1.1 million to the Municipal authorities. The increase in taxes and duties allocated to the State (+80% compared to 2007) is due to benefits accounted for in 2007 as a result of the application of the 2008 Finance Law for deferred taxes.

Operating grants received amounted to Euro 14.0 million; the most significant share regards grants for separate waste collection. This portion was subtracted from the portion allocated to the public administration.

The plants and installations used by the company are in part owned by shareholding municipalities (e.g. gas and water grids). Rental payments are made out for their use. In 2008, total payments for utility contracts and for use of the assets of shareholder municipalities came to Euro 93.0 million (+17%, mainly attributable to payments to companies acquired in 2008, Megas and Sat).

Lastly, Euro 1.7 million was allocated to **local community** donations (Euro 0.1 million) and **sponsorship** (Euro 1.6 million); details on these items can be found in the section "Local communities".

Value added distributed to local areas (million €)



In 2008 value added distributed to stakeholders in the local areas amounted to Euro 730.9 million (+13% compared to 2007).

It consisted of:

- employee salaries (45% of the total);
- dividends to local shareholders (8%);
- duties, taxes and fees to local authorities (18%);
- charitable donations and sponsorships (0.3%);
- resources re-invested in the company (29%);

If value added for local suppliers is also considered (which represents 69%, amounting to Euro 798 million), the total wealth distributed to local areas in 2008 amounted to Euro 1,528.5 million.

Workforce

As at 31 December 2008, the total workers with open-ended contracts in Group companies amounted to 6,391. 93.7% of the workforce has an open-ended contract. this percentage rises to 94.3% if Marche Multiservizi is excluded.

In 2008, 97% of the Group's workforce was involved in classroom sessions for training and awareness of the new Code of Ethics, totalling 24,000 hours of training. In 2009, the second company crèche will be completed.

Objectives and performance

We said we would...	We have...
<ul style="list-style-type: none"> Realise the improvement actions defined following the second internal climate survey. Continue developing initiatives aimed at improvement, involving the entire workforce, extending the Improvement Groups to the various Divisions. Involve the entire workforce in the dissemination of the new Code of Ethics, through internal training meetings with a "trickle down" structure. Effect a meeting point between the demand and offer of work to improve management of internal mobility. Provide 130,000 hours of training, equal to 21.5 hours per capita. Develop the <i>Scuola dei Mestieri</i> [School of Trades] even further: provide 27,400 hours of training, involving 1,415 employees. Further improve the accident frequency index: reach an accident frequency index lower than the total value for 2007 (42.4). Obtain OHSAS 18001 workplace safety certification in 2008. Complete the feasibility study for the introduction of SA 8000 certification. Define and launch specific measures aimed at 	<ul style="list-style-type: none"> Of the 13 scheduled improvement actions, 10 were completed and 3 are currently underway (see page 34). During 2008, 17 improvement groups were set up, of which 14 concluded their work during the year. Of the 17 groups, 6 involved personnel from the Divisions (see page 36). The top down dissemination of the new Code of Ethics involved 97% of Group employees, (see page 69). In July, the "Job Posting" project began. This was designed in order to offer maximum visibility to professional opportunities becoming available in the company (see page 80). 207,000 hours of training were provided, which correspond to 33.2 hours per capita (see page 65). In 2008, approximately 77,700 hours of training were provided according to the Scuola dei Mestieri model and over 1,970 employees were involved (see page 69). The accident frequency index for 2008 was 38.2 (see page 75). The objective was re-scheduled and undertaken, in agreement with Sincert, for portions of the scope for the three year period from 2008-2010 (see page 74). The procedure will commence once the OHSAS 18001 certification process begins.. In September investigations took place which involved differently-abled workers and their

enhancing the skills and potential of differently-abled workers within the Hera Group.	supervisors. Based on the results of these investigations, specific actions will be defined and carried out during 2009 (see page 64).
<ul style="list-style-type: none"> Carry out further internal communications initiatives to promote sustainable conduct. 	<ul style="list-style-type: none"> The Hera2O initiative for the promotion of tap water was carried out and separate waste collection improved in the main headquarters in Bologna (see page 98).
We shall...	
<ul style="list-style-type: none"> Carry out the third internal climate survey in 2009, aiming to reach a workforce participation level of 50% and a satisfaction index of 55. We shall define an improvement plan aiming to achieve an index of 60 in 2011. Further improve the accident frequency index: reach an accident frequency index in 2009 lower than the total value for 2008 (38.2). Obtain the OHSAS 18001 certification for municipal hygiene, district heating, gas and electricity, large plant and energy design in 2009. Provide 150,000 hours of training in 2009, equal to 24 hours per capita. Further develop the <i>Scuola dei Mestieri</i> model with the publication of 4 additional trade exercise books and carry out two training events as part of the apprenticeship community project. Improve internal communications by revamping the corporate intranet. Begin the Hera Group's Corporate University for management, development and enhancement of knowledge based on a recognised training model provided by an external consultant. Consolidate the internal mobility instruments supporting human resource enhancement, professional development courses and re-organisation projects. Start specific initiatives aimed at enhancing the skills and potentials of differently-abled workers of the Hera Group based on the results of the investigations carried out in 2008. Carry out the procedures for SA8000 certification, once the OHSAS 18001 certification process has been completed. Create the second Hera Group crèche in the municipality of Imola. 	

Breakdown

Staff figures at the close of the year

(No.)	2006	2007	2008
Executives	99	109	115
Managers	252	286	306
Administration	2,535	2,700	2,980
Manual	2,998	3,019	2,990
<i>Open-ended contract employees</i>	<i>5,884</i>	<i>6,114</i>	<i>6,391</i>
Fixed-term contract workers	73	117	116
Job training and entrance contracts	87	108	81
<i>Fixed-term contract employees</i>	<i>160</i>	<i>225</i>	<i>197</i>
Staff leasing contracts	135	70	75
Freelance contracts	0	0	0
Project based contract workers	15	6	6
Total	6,194	6,415	6,669

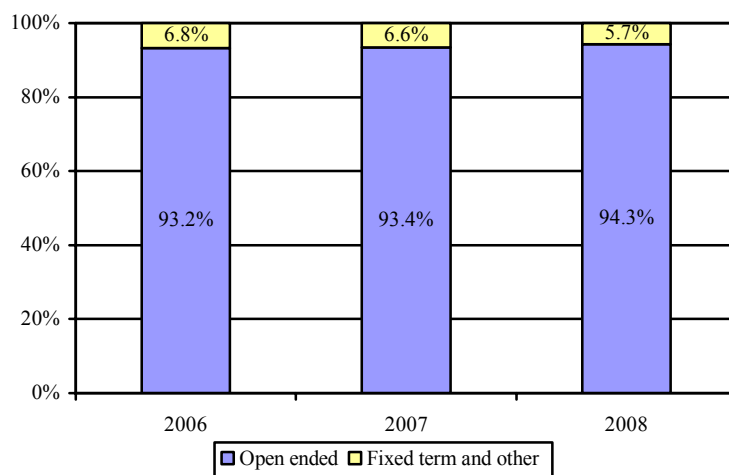
As at 31 December 2008, the total workers with open-ended contracts in Group companies amounted to 6,391.

Not including Marche Multiservizi, which had 519 employees with open-ended contracts at the end of 2008, there is an overall increase in workers with such contracts

of 2%, which mainly increased the total population of executives, managers and white collar workers while decreasing the population of blue collar workers.

The reduction of the blue collar workers was caused mainly by promotions from blue collar to white collar status, retirements, voluntary resignations and the discontinuance of no core services such as cemetery services and urban quality in Hera Rimini,

Workforce numbers (average)



Marche Multiservizi figures not included

On average, 94.3% of workers have an open-ended contract. This percentage falls to 93.7% if Marche Multiservizi and its subsidiaries are considered. We hereby reiterate the Group's will to limit the usage of flexible contracts to urgent situations only (seasonality, extraordinary and temporary work peaks, substitution of workers who are absent temporarily). However, the employees hired through flexible contracts provide a priority recruitment pool for hiring with open-ended contracts.

We also confirm that for 2008 the trend of reducing the number of workers with staff leasing contracts which decreased by 24% overall compared to 2007 and by 35% if Marche Multiservizi is excluded. Conversely, the average workers with fixed term training and employment and apprenticeship contracts have remained in line with 2007.

Open-ended contract employees (breakdown by function)

(No.)	2006	2007	2008
Grid services	2,001	2,060	2,183
Waste management services	2,014	2,046	2,005
Other services	409	419	436
Commercial	401	458	493
Coordination	1,059	1,131	1,274
Total	5,884	6,114	6,391

Of the workforce, 31% operate in the waste management sector and 34% in grid services (gas, electricity, district heating, and water service). Of the workforce, 8% are employed in the commercial structure and 7% in other services (information technology management, fleet management, laboratories, public lighting). Coordination activities absorb 20% of the Group workforce.

Open-ended contract workers whose place of work is in a different province than their place of residence

(No.)	2006	2007	2008
Number of workers	481	520	562
<i>of which resident outside the province of service</i>	207	236	285

Approximately 9% of open-ended contract workers live outside the province where they work (the province with the highest number of workers who live in other provinces is Bologna). In 2008, 21 managers lived outside the province of service. In 2008, as compared to 2006, there was a 38% increase of workers with open ended contracts that live outside the province they work in.

Open-ended contract employees (breakdown by location of workplace)

Number	2006	2007	2008
Hera Bologna area	1,763	1,762	1,769
Hera Ferrara area	579	549	545
Hera Forli-Cesena area	500	501	536
Hera Imola-Faenza area	439	454	474
Hera Modena area	965	930	1,117
Hera Ravenna area	749	730	685
Hera Rimini area	865	836	728
Marche Multiservizi Area	-	335	510
Other	24	17	27
Total	5,884	6,114	6,391

The decrease in the workers in the territory is higher in Ravenna and Rimini where company units were sold- a unit that was involved in the production of drinking water was sold in Ravenna to Romagna Acque while in Rimini smaller scale services were sold.

There has been an increase in the territories of Modena and Marche Multiservizi due to the addition of Sat and Megas to the scope of the consolidation.

Open-ended contract employees by educational qualification and position (2008)

Number	Executives	Managers	Administration	Manual	Total
Primary education			13	70	83
Junior secondary education	3	3	576	1,975	2,557
High school diploma	13	113	1,892	941	2,959
University degree	99	190	499	4	792
Total	115	306	2,980	2,990	6,391

The education level is essentially constant compared to 2007 with the percentage of the workforce holding high school and university degrees at 58%.

Average age and average seniority of employees with open-ended contracts by role (2008)

years	Age	Years of service
Executives	50.1	13.0
Managers	47.0	15.5
Administration	44.2	15.5
Manual	46.5	15.3
Total	45.5	15.4

The average age and average years of service of employees with open ended contracts are 45.5 and 15.4 years, respectively. These indicators have progressively increased over the last two years.

Hours of absence and hours worked per capita (by type)

(hours)	2006	2007	2008
Sickness	67.8	70.2	65.2
Maternity	27.1	23.0	10.0
Accidents	13.7	13.6	13.0
Strikes	4.8	1.4	3.6
Meetings	1.7	2.3	2.1
Union leave	7.5	7.0	6.9
Total absences (h)	122.6	117.5	100.8
Regular hours worked	1,555.0	1,534.2	1,503.8
Overtime hours worked	64.0	67.8	62.4
Total hours worked	1,619.0	1,602.0	1,566.2

The data refer to the following companies: Hera S.p.A., Società Operative Territoriali, Marche Multiservizi, Famula On-Line, Uniflotte, Hera Comm, Hera Trading, FEA, Ecologia Ambiente, Recupera. The figures for 2006 and 2007 refer only to workers with open-ended contracts.

With regard to absences, there has been a reduction due to sickness and maternity compared to the previous years, while there has been an increase in the hours of absence connected to strikes that concern initiatives of a nationwide scope. Overtime hours continue to represent a reduced percentage compared to the total hours worked.

Turnover

The current personnel policy is to back up the process of integration of companies within Hera with a plan for efficient use of the workforce made available as a result of processes of internal rationalization, efficient turnover management and further outsourcing of activities that generate low value added.

Since the founding of the group and following acquisitions, Hera has been engaged in a process of far-reaching corporate reorganisation with no recourse to social shock absorber measures.

In 2008, 194 employees were hired with open-ended contracts, compared to 114 in 2007.

New employees are generally hired for top-ranking professional positions (both specialised and operative), which are difficult to cover with internal personnel.

Selection took place by internal research for white-collar and blue-collar jobs. External employment selection agencies were called in for top ranking professional positions. The company has confirmed its commitment to resort to flexible contracts only for temporary requirements and has concluded 139 new contracts in 2008 as opposed to 149 the year before and 341 in 2006, not including Marche Multiservizi. Over the last three years 434 employees were hired with open-ended contracts.

Personnel hired during the year (breakdown by position)

(No.)	2006	2007	2008
Executives	7	0	3
Managers	11	11	11
Administration	77	86	161
Manual	31	17	19
<i>Open-ended contract employees</i>	<i>126</i>	<i>114</i>	<i>194</i>
Fixed-term contract workers	130	164	124
Staff leasing contracts	341	219	176
Job training and entrance contracts	51	38	38
Project based contract workers	61	27	35
Freelance contracts	2	0	0
Seasonal workers and apprentices	6	12	11

Job leaving by open-ended contract workers by reason

(No.)	2006	2007	2008
Resignation	76	87	83
Retirement	65	92	86
Death	6	5	6
Dismissal	3	6	7
Incapability	13	15	16
Transfer to other investee	40	22	36
Total	203	227	234

In 2008, there were 234 cases of job leaving (of which 10 in Marche Multiservizi). There were 36 cases of transferrals to other companies mainly as a consequence of the sale of a company unit that was involved in the production of drinking water in the Romagna area to Romagna Acque.

Turnover rate for open-ended contract workers by role

%	2006	2007	2008
Executives	11.1%	5.5%	6.1%
Managers	6.3%	4.2%	8.5%
Administration	2.6%	3.0%	3.0%
Manual	3.7%	4.2%	3.8%
Average	3.5%	3.7%	3.7%

Turnover rate for open-ended contract workers by gender

%	2006	2007	2008
Men	3.6%	3.9%	3.9%
Women	2.8%	2.9%	2.7%
Average	3.5%	3.7%	3.7%

Turnover rate for open-ended contract workers by age

%	2006	2007	2008
Under 30	2.8%	4.2%	0.7%
From 30-50 years of age	2.0%	1.9%	1.9%
Over 50	8.3%	8.9%	8.1%
Average	3.5%	3.7%	3.7%

The turnover rate is calculated by dividing the number of leaving employees by the number of employees at the end of the year, thus resulting in the percentage change in staff. Higher than average values are recorded for executives, for men and for workers over 50 years of age.

Career advancement during the year (breakdown by position)

(No.)	2006	2007	2008
Executives	5	9	3
Managers	18	28	21
Administration	406	521	513
Manual	215	286	368
Total	644	844	905

In 2008, 3 executives were hired externally, while 4 executives from SAT were added to the staff. There were three promotions from manager to executive in 2008.

Ad interim positions covered

(No.)	2006	2007	2008
Ad interim positions at the beginning of the year	41	23	10
Ad interim positions covered	25	16	5
<i>of which by internal personnel</i>	<i>21</i>	<i>15</i>	<i>4</i>

Data regards Hera S.p.A., the Territorial Operating Companies, Hera Comm, Hera Trading.

In the company organisational chart there are several organisational positions which are currently empty: until these roles are assigned, the activities falling under these types of organisational positions are carried out by another person on an ad interim basis.

Specific attention was focused on reducing the number of “ad interim” positions in the organisation, by promoting internal resources. With regard to the 10 ad interim or open positions for executives and managers at the beginning of 2008, during the year, 5 positions were covered, almost exclusively using internal personnel.

In the last year, 294 Group employees changed their workplace. For 93 employees, the company they work for changed. Internal mobility is a direct consequence of the

complete activation of the reorganisation that the Group has been carrying out since it was formed.

In July 2008 a section was created within the company intranet named “Internal Mobility” through which it is possible to view the job postings and apply for the positions that are open within the Group. The objective of internal mobility is to create an opportunity for Hera employees to grow their knowledge and capacities transversally, while allowing them to continually place themselves in new contexts and develop richer and more complete work skills.

At the beginning of 2009, Hera Imola-Faenza set up a project dedicated to workers that recently retired and thus have good knowledge of company issues, which aims to use the wealth of the experience they have gained with the company. 12 pensioners who accepted this collaboration will undergo training and the conclusion of a project-based contract to then become hired as guides at the water plants and waste drop off points in Imola and Faenza. In 2008-2009 there will be 27 visits that will involve these former Hera employees. The visits will mostly be part of the Infea project (an educational and informational project on the environment fostered by the Emilia Romagna region) that involves the schools belonging to the Imola School District.

Diversity and equal opportunities

Equal opportunities

The group is fully aware of the issues relating to equal opportunities, and is committed to avoiding all forms of discrimination. In its relations with the workforce, as a part of its personnel management and work organization practices, and in its dealings with all stakeholders, the group is committed to making sure no discrimination takes place in the workplace.

In selecting personnel, it aims to protect equal opportunities by assessing professional and psychological profiles and aptitudes, while respecting the candidate’s private sphere and opinions.

Female staff (breakdown by position)

%	2006	2007	2008
Executives	8.6%	11.9%	13.0%
Managers	26.9%	28.7%	29.7%
<i>Total managers and executives</i>	<i>21.9%</i>	<i>24.1%</i>	<i>25.2%</i>
Administration	39.5%	38.8%	37.4%
Manual	6.2%	4.9%	5.3%
Total	20.9%	21.1%	21.6%

The percentage of female staff among the personnel with open-ended contracts was 21.6% in 2008, slightly up compared to 2007. The percentage of women among executives and managers has increased by 3 percentage points in the last three years.

Personnel by age

%	2006	2007	2008
Under 30	3%	1.9%	2.3%
From 30 to 50	74%	72.4%	69.3%
Over 50	23%	25.6%	28.4%
Total	100%	100.0%	100.0%

There were over 1,800 workers with open -ended contracts aged over 50 (this category increased by 34% in 2006).

Part-time contracts

(No.)	2006	2007	2008
Men	50	39	37
Women	175	172	190
Total	225	211	227

Part-time arrangements, as regulated by current labour agreements, are considered a valid instrument in providing a response to labour flexibility needs both in terms of organisational and employee needs.

Part-time arrangements are made voluntarily and can be revoked. They are made compatibly both with the technical, organisational and productive needs of the company and with the needs of worker.

Family and health needs, the need to help others with disabilities, and cases of serious illness (duly certified as such) are our priority considerations in assessing applications.

The persons to whom staff members report must consider how practicable the contracts the applicants seek are in terms of corporate needs. If it is concluded that the contract is practicable, the changes will be made.

Absence for maternity (hours)

(hours)	2006	2007	2008
Total hours of absence due to maternity	154,707	137,977	62,000
Hours of absence due to maternity per capita	27.1	23.0	10.0

The data refer to the following companies: Hera S.p.A., Territorial Operative Companies, Marche Multiservizi, Famula On-Line, Uniflotte, Hera Comm, Hera Trading Ecologia, Ambiente, FEA, Recupera.

Within the group, absence due to maternity was generally greater than the minimum absence laid down by law, both for white- and blue-collar women.

On 23 May 2008, the event “Bimbi in Hera” (Children in Hera) took place throughout the company’s territory. This event is part of “Celebrating Working Mothers”, promoted by the *Sole 24 Ore* and *Corriere della Sera* newspapers, sponsored by the Ministry for Equal Opportunities. This initiative, which took place for the second time, was developed in order to present to employees’ children their parents’ company and working environment, and resulted in the collection of used clothing and toys which were donated to the “Help the Children” non-profit foundation.

“Sustainable” energy for Tirithera due to the photovoltaic plant

The new semi-integrated photovoltaic plant at Hera Forlì-Cesena that can be seen from the windows of the Cesena offices was put into operation in December 2008 and represents the symbol of the local company’s commitment to renewable resources. The plant was built in two months and consists of 4 strings of 22 modules each, while it has power of 20 Kw, which is enough to cover the annual energy requirements of the “Tirithera”, the company crèche, while contributing to the needs of Hera’s Forlì-Cesena offices. The centre was built with bio-compatible equipment and materials according to the rules of bio-architecture, while thanks to the photovoltaic plant, it is also sustainable insofar as energy is concerned.

The positive experience of the inter-company crèche in the Cesena headquarters which was started in January 2007 continued. The centre which can take 23 children aged from 12 to 36 months, also took in three children of employees to which a fourth was added when school opened in September 2008. The remaining places are at the disposal of the Municipality.

Hera, Cna Imola and Legacoop Imola, in association with the Municipality of Imola are setting up an inter-company crèche. This crèche is constructed on property belonging to the Municipality of Imola according to sustainable housing rules, with attention paid to the design and energy savings. It is equipped with a photovoltaic plant that is appropriate for the requirements of the building and will be able to hold 69 children (children of the employees of the three sponsoring entities, in addition to a number of places at the disposal of the Municipality). The project has received a grant of Euro 500,000 from the Region which was provided through the Province of Bologna and a grant of Euro 200,000 from the Fondazione Cassa di Risparmio di Imola, while the remaining amount of the total cost of approximately Euro 1.6 million, will be shared among the three sponsors. The crèche is expected to open in October 2009.

Persons belonging to protected recruitment quotas

(No.)	2008
Persons belonging to protected recruitment quotas	353

Data regards Hera S.p.A., the Territorial Operative Companies, Marche Multiservizi, Hera Comm, Hera Trading, Famula On-Line, Uniflotte, Ecologia Ambiente, Recupera and FEA.

In all areas in which the group is operational, Hera complies with the obligations of Law 68/99, also by developing a system of special agreements for negotiated solutions between Hera, the Centri Territoriali per l’Impiego (local job placement and career advice agencies), and the workforce. By such means, it is possible to establish preliminary contacts, prior to recruitment, for optimal use of specific personal skills. This law promotes the recruitment and integration within the sphere of work of certain classes of persons (the differently-abled, orphans etc.), via targeted support and job placement activities, and provides auxiliary technical instruments for assessment, in order to provide differently-abled persons with the most suitable work roles.

“Developing resources”: the first phase has been concluded

With the aim of enhancing the skills of differently-abled employees, in 2008 Hera concluded the first phase of the “Developing Resources” project, which was carried out

in collaboration with the ASPHI Foundation which works to promote the integration of persons with disabilities into school, at work and in society.

This initial phase gauged the satisfaction of differently-abled employees through a survey consisting of 39 questions delivered to 119 workers with disabilities: 105 (88%) completed surveys were returned, in the anonymous form that was requested.

Concurrently, the direct supervisors of the 119 differently-abled persons that were part of the project were involved through participation in an HRValue training course given on line and a questionnaire upon its conclusion. 112 of the 119 distributed questionnaires (94%) were returned by 75 of the 80 supervisors involved.

The phase of the project that was concluded in 2008 made it possible to gauge the level of satisfaction of differently-abled personnel (the response to 66% of the questions was "satisfied" and 34% of the questions were marked as "not satisfied") and to identify indicators for monitoring the long-term effectiveness of the actions being defined which will be implemented in 2009.

Training and professional development

In 2008, over 207,000 hours of training were provided, which is an increase of 38.3% compared to 2007, which proves the increasing commitment, financially and in terms of human resources that the company has towards training. The training and on the job coaching that involved workers almost doubled compared to 2007. 59% of the training hours were provided by internal teaching personnel, compared to 45% in 2007 and 27% in 2004.

The *Scuola dei Mestieri* model has now become an institution in all the areas served: during 2008 over 77,700 hours of training were provided to over 1,970 employees.

Training hours (total)

(hours)	2006	2007	2008
Executives	2,146	3,559	4,622
Managers	6,869	10,808	15,569
Administration	73,068	85,681	94,116
Manual	40,447	45,517	89,027
Project-based contract workers and workers with staff leasing contracts	-	4,561	4,226
Total	122,530	150,126	207,560

The figures do not include Marche Multiservizi. As from 2007, project based contract workers and those with staff leasing contracts that had been included in previous years under the "Administration" category were placed in a separate category.

Total training hours per area

(hours)	2006	2007	2008
“Scuola dei Mestieri” and critical skills	26,461	26,126	77,714
Quality, safety, environment	16,691	14,343	28,341
Specialised training (incl. hands-on training)	24,194	33,923	15,911
Institutional and managerial training	35,177	39,513	66,859
Basic information technology	6,516	8,369	5,209
Training in support of new IT system	13,491	27,852	13,526
Total	122,530	150,126	207,560

The figures do not include Marche Multiservizi.

Training (in man hours) (average, per capita)

(hours)	2006	2007	2008
Executives	21.2	33.9	42.4
Managers	26.1	39.2	52.6
Administration	27.0	30.5	31.5
Manual	13.3	16.0	32.4
Project-based contract workers and workers with staff leasing contracts	-	32.3	38.4
Average	20.1	24.3	33.2

The figures do not include Marche Multiservizi. As from 2007, project based contract workers and those with staff leasing contracts that had been included in previous years under the “Administration” category were placed in a separate category.

The training hours per capita amounted to 33.2, or 36.6% more than in 2007.

Training in man hours per organisational unit

(hours)	2006	2007	2008
Hera S.p.A.			
- Central bodies	23.3	25.8	29.7
- Waste Management Division	12.0	16.6	21.3
- Fluid distribution Division	27.7	21.1	29.2
- Services Division	6.1	10.8	30.2
- Sales Division	28.1	30.4	26.0
- District Heating Division	51.1	31.1	27.0
- Large Plants Division	15.6	13.0	10.1
Hera Bologna	28.1	32.6	61.0
Hera Ferrara	25.0	40.1	27.6
Hera Forlì-Cesena	18.5	15.0	19.4
Hera Imola-Faenza	22.9	25.9	34.3
Hera Modena	15.4	28.7	28.6
Hera Ravenna	23.4	21.5	27.8
Hera Rimini	15.7	15.3	28.0
Average	20.1	24.3	33.2

The figures do not include Marche Multiservizi.

Training, including hands-on training, was planned and managed according to a procedure which is carried out in the following phases:

- needs analysis;
- planning of activities and cost forecasts;
- provision of training activities;
- monitoring and assessment of completed training activities.

The average number of hours of training per capita in the various organisational units may be higher or lower depending on the needs identified or specific projects involving the personnel within the unit.

% of workforce attending at least one training course

%	2006	2007	2008
Executives	100%	100%	97%
Managers	97%	100%	99%
Administration	100%	97%	96%
Manual	84%	84%	100%
Project based contract workers and workers with staff leasing contracts	-	100%	92%
Total	92.5%	92.1%	97.6%

The figures do not include Marche Multiservizi. This index was calculated by dividing the persons involved in at least one training event by the total employees present at the end of the year.

In the period under review, the workers involved in at least one training course reached involvement of close to 100%, regardless of their position, thanks also to the dissemination of the Code of Ethics that involved all personnel.

Assessment of training

%	2006	2007	2008
Degree of satisfaction of trainees (perceived quality)	83%	79%	81%
Outcomes (correspondence with needs)	74%	70%	68%

The figures do not include Marche Multiservizi. The outcomes for 2008 refer to 89% of the courses, while the degree of satisfaction refers to 86%.

Hera uses a system for assessment of training that takes the degree of satisfaction expressed by the workforce into account, alongside the assessments of the department managers with respect to the impact of training actions on the skill profile development of co-workers and on reduction of organisational problem areas linked to trainee roles. The degree of satisfaction is generated by assessments conducted by trainees once the course is over. The table indicates the average grade obtained, on a scale of 0 to 100. The outcomes are the result of the assessment carried out by managers during the grading phase, which is provided for each role. The reported percentage values indicate scores of 4 or 5 (1-5 scale).

Total training cost per area

(thousands of €)	2006	2007	2008
“Scuola dei Mestieri” and critical skills	197.8	125.0	231.0
quality, safety, environment	126.6	86.5	176.5
specialised training (incl. hands-on training)	187.1	220.7	155.8
Managerial training	272.1	321.5	416.8
Basic information technology	43.8	56.2	24.8
Training in support of new IT system	113.0	182.0	28.5
Other (costs for development and support activities)	142.8	91.2	195.0
Total	1,083.8	1,083.1	1,228.4

The figures do not include Marche Multiservizi.

The overall financial investment for training exceeded Euro 1.2 million, net of costs for personnel in training costs and internal teachers. The increase compared to the two preceding years is 13%.

Key training programmes

In the commercial area, in addition to the permanent updating of the regulatory and legal aspects and the reference information systems, the training of customer relations staff began in order to develop sales orientation. In the first half of 2008, all the call centre employees received training and from September the training for employees at customer branches began. Specific sections were developed within the Scuola dei Mestieri as well.

As part of the institutional projects supporting managerial development, further higher learning courses were set up and completed (including the second part of the course taught in association with the Alma Mater Foundation on Regulation and the Market for Public Utility Services and the Alma Graduate School Executive MBA) as were individual coaching initiatives. In December 2008, the classroom institutional training course for the staff participating in the *Progetto Laureati 2007* was completed.

100% of the training on management and processes was provided (this involved all the managers intermediate coordinators and employees of subsidiary Famula On-Line) as was 81% of the technical training provided in the extraordinary plan set up for the information systems professional family, which is to be completed during 2009.

Legislative Decree 231/2001 was discussed in specific training meetings held by the Internal Auditing Department and which involved members of the boards of directors and management of the territorial companies and subsidiaries. Furthermore, a summary information note was delivered upon the occasion of the sessions during which the contents of the Code of Ethics were distributed to the entire workforce.

In order to cover the widespread demand expressed through the training needs analysis to strengthen management's abilities in project management and to coordinate managers and executives in the use of the Balanced Scorecard process through the new information system, a training course was set up and carried out between June and July in 12 classroom sessions. The project involved 3,500 hours of training and a total of 230 Group managers and executives.

A significant commitment to training was provided in support of the implementation and consolidation of the corporate information systems (in particular for the new e-procurement system and the updating of the information systems for the commercial area) and special themes focusing on quality, safety and environmental issues.

Following the coming into effect of the Consolidated Law on health and safety in the workplace (Legislative Decree 81/2008), a significant training and information programme was set up and carried out. Personnel in various professional roles were involved in events dedicated to this project, which took place throughout 2008. Furthermore, the training on complying with legal obligations (fire safety, first aid, etc.) continued.

AlfabEthics: the entire company learns the Code of Ethics “through a game”

AlfabEtico (AlfabEthics), the process for the dissemination of the contents of the Code of Ethics to the Group which began in November 2007 was completed in 2008. It aimed to increase awareness of the Company personnel of the principles and regulations contained in the Code and to make managers responsible for disseminating the information to their associates.

The initiative began through the computer adaptation of the traditional “chutes and ladders” game, which facilitated learning “what you need to know and do”, in an effective and enjoyable way, with questions and queries referring to the principles of the Group’s Code of Ethics and the ethical issues that could arise within the company. Among the factors that ensured the success of this initiative was the decision to entrust the management and classroom teaching to internal facilitators: it was indeed up to the various managers (who had previously undergone specific training) to discuss with their associates the issues and questions resulting from the throw of the dice. The activity involved, through a competition among teams with prizes, 97% of Hera Group employees, with over 390 training events and 24,000 hours of classroom training. The outcome was excellent, as was shown by the questionnaires compiled by the participants at the end of each activity and the reflections returned to the facilitators at the end of each session. In particular, there was a positive assessment of the workers insofar as the knowledge of the Code that was acquired from the training and the good assessment of the training procedure ensuing from the game: 96.7% of the participants considered the game a good instrument for learning.

The Scuola dei Mestieri and its progress

The *Scuola dei Mestieri* which has now reached its fourth year is a project for efficient use of the technical and operational skills that are present within the Hera Group. The aim is to raise the level of awareness of professional conduct and of skill transfer potential from operator to operator. In 2008, the consolidation of the model continued with the completion of the sections begun in 2007 in the territories of Bologna, Ferrara, Modena and Rimini, with the following topics:

- management and maintenance of the medium and low voltage electric stations;
- management of water collection and treatment stations;
- management of waste water purification plants;
- network emergency services;
- management and remote control of plants and networks;
- management of face to face relations with customers.

Upon conclusion of the sections another six trade exercise books were compiled (teaching support instruments for the coaching and apprenticeship courses) and the training of internal trainers which involved workers from different Group territories was carried out.

With the publication of the trade exercise books carried out in 2008 the total books will reach 12 within the initial months of 2009 (with the circulation of the books relating to the commercial call centre and back office activities).

During 2008 a total of 77,700 hours of training were provided to over 1,970 workers.

Developing the organisational performances and strengthening the company sense of belonging are among the objectives that led us to further develop the *Scuola dei Mestieri* model, with the evolution of the apprenticeship communities. Apprenticeship communities are mainly ad hoc and self-regulated social groups which are characterized by the production and sharing among their ranks of procedures and practical knowledge applied to a specific trade, through behaviours inspired by the principles of cooperation among peers. The apprenticeship communities are considered as informal communities the operations of which are based on the sharing of the rules of belonging and which are evident through an examination of the mutual behaviours among their members.

During 2008, a section was set up in the Ferrara territory that involved the customer management area (specifically the Hera Ferrara Customer Management Department and Hera Comm Call Centre) aimed at identifying, recognising and supporting the apprenticeship communities, which are seen as instruments for the improvement and development of service efficiency and quality and which foster a sense of belonging.

Progetto Laureati (Graduates Project)

This project which began in 2004 aims to recruit and hire young high potential graduates. There are currently 61 employees that joined the Group through this project in the three year period from 2004 to 2006.

The second three year period began in 2007 based on the new 2007-2009 scope and 13 new recruits that completed the required course were added in 2008. Concurrently, in the second half of 2008 the recruitment and selection phase for the new version of the project began in the second half of 2008.

The selection provides for an initial assessment phase which is attended by candidates that have been previously selected through the CVs received by the company and who dispose of specific features regarding their identity and studies.

Again in 2008, 67 young graduates participated in the assessment. In the initial months of 2009, this selection phase will be concluded and 20 new employees will join the company through an 18 month entrance contract.

The Hera Group Professional System

In 2008, the skills of the personnel belonging to the Marketing, Sales and Customer management agencies were mapped. The outcome of this exercise provided indications that are useful in defining the development and training initiatives that must be followed. Furthermore, the skill system was extended to subsidiary Uniflotte.

Courses focusing on the development of potential

In 2008, a new project was launched which aims to enhance and develop the potential of young employees of the Group. All employees from the 2004, 2005 and 2006 Graduate Project participate as do other young employees with similar characteristics.

There is a total of 100 employees who, from February 2008, underwent a motivational and orientation interview and were then involved for two days in the Assessment Development Centre where their potential for professional growth was individually evaluated.

The individual courses for professional growth were outlined according to the results obtained from the process above.

Agreements with Universities

The Hera Group has reached a framework agreement with the University of Bologna providing incentives for the training of undergraduates and recent graduates, with a particular emphasis on water, energy and environmental issues, through the assignment of six-monthly scholarships for final year students, and twelve-month scholarships for recent graduates.

In this context, a specific agreement with the Department of Industrial Chemistry allows young graduates or final year students to benefit from curricular training, vocational training or orientation.

As in previous years, once again in 2008 the Hera Group participated in the PIL (Courses on entrance into the workforce) Project of the Università degli Studi di Ferrara, offering to another 5 graduates/graduating students the opportunity to add a work training experience to their university curriculum through an internship period of 3 months followed by a 12 month fixed-term contract with the company.

Furthermore, the agreement concluded in 2007 with the University of Ferrara which provides for the employment of students and graduates for training and orientation internships of no more than 18 months continued in 2008 as well.

For the second consecutive year, the Hera Group participated in the Career Day, which is a day dedicated to meetings between companies and the University. In 2009, this event was held in February at the Fiera di Bologna. This is an important event organised by the Bologna University in which Hera met young final year and graduate students from the region and outside (approximately 30%). Over 450 young people visited the Group's stand.

7 persons are currently carrying out internships that are enrolled in the following master's degree programmes: Master in Organisation, Master in Training, Master in Project and Worksite Management, Master in Science, Technology and Management.

The relation with the LUISS University of Rome continued with the hiring in 2008 via an entrance contract of 3 young graduates recruited from among the master's degree students in jurisprudence and finance.

Internships

(No.)	2006	2007	2008
Interns hired over the year	151	186	152
<i>of whom aged under 18</i>	-	39	17
Interns recruited following internship	13	7	9

Pay, salaries and bonuses

All Group employees are hired through national collective labour agreements (with the exception of project-based contract workers, which do not have a collective labour agreement, covering 0.4% of average employees in 2008). Employees with staff leasing contracts, amounting to 1.8% of average workers in 2008, have the same economic conditions as those provided in the contracts applied to employees with open-ended contracts (including the productivity bonus).

Relation between minimum pay and salary conditions according to labour agreements and Hera pay and salary levels (Federgasacqua contract – 2008)

Euro	Min. pay/salary (according to lab. agr.) (A)	Min. pay/salary (Hera) (B)	% Gap (B:A)	Average Hera compensation (C)	% Gap (C:A)
Managers	2,407	2,604	8%	3,853	60%
Administration	1,357	1,357	0%	2,175	60%
Manual	1,357	1,357	0%	1,922	42%

The data refer to the following companies: Hera S.p.A., Società Operative Territoriali, Famula On-Line, Uniflotte, Hera Comm, Hera Trading, FEA, Ecologia Ambiente, and Recupera.

The table illustrates the gaps between gross monthly pay/salary levels at Hera and those specified by the Federgasacqua labour agreement, which governs the employment relationship of 45% of Group workers. Comparison between the minimum pay/salary conditions of the Federgasacqua contract and the minimum applied by Hera was conducted by considering the minimum seniority conditions within the Group for the three employment classes. Comparison was also conducted by taking into account average pay/salary levels for the three classes.

The gap between the minimum level applied by Hera and that envisaged by the labour agreement is 8% for managers and in line with the contractual figure for white and blue collar workers. The average salary, on the other hand, is 60% higher than the minimum labour agreement conditions for managers and white-collar workers and 42% higher for blue-collar workers.

Relation between senior management compensation according to labour agreements and Hera levels (Confservizi contract)

Euro	2008
Minimum according to labour agr. (A)	4,231
Hera minimum (B)	4,231
% Gap (B:A)	0%
Average Hera compensation (C)	8,385
% Gap (C:A)	98%
Average market salary for managers	9,192
% difference compared to the market	-9%

Data do not include Marche Multiservizi.

The above table illustrates the gaps between average gross compensation levels and the gross compensation levels envisaged by the national collective labour agreement for the senior management class. For this class, the contract to which reference is made is that of the local public services providers' association, Confservizi. The average salary of Hera managers is 98% higher than the minimum salary stipulated in the contract, while the minimum salary is the same as that in the Confservizi contract.

The average salary of Hera managers is 9% lower than the average market salaries for managers, as these are reported in the Hay Compensation Report – Total Cash Italia 2008.

Gross average productivity bonus (per capita)

Euro	2006	2007	2008
Managers	1,365	1,559	1,755
Administration	1,162	1,328	1,495
Manual	1,078	1,232	1,387
Average	1,128	1,290	1,452

The data refer to the following companies: Hera S.p.A., Società Operative Territoriali, Famula On-Line, Uniflotte, Hera Comm, Hera Trading, FEA, Ecologia Ambiente, and Recupera.

Regarding the productivity bonus, a uniform system is applied to all Group personnel, based on one bonus for all employees, a single system of profitability and productivity indices (EBITDA of the Group and per capita EBITDA of the companies belonging to the Group) and a series of quality indices which are diversified according to the business segments.

Other incentive systems

Starting from 2006, the incentive system for executives of the Hera Group is linked to the balanced scorecard.

The variable component of individual compensation for senior management staff is calculated as a percentage value of gross annual salaries on the basis of results obtained relative to the objectives set at the start of the year.

The individual balanced scorecard assigned to each executive is broken down into three areas.

- the first consists of specific project-objectives deriving from translation in operating terms of the objectives contained in the Group's strategic map;
- the second contains the economic objectives defined in the budget for the year;
- the third provides for a valuation on specific organisational behaviours (for example: organisation, commitment, control, efficient use of the contributions of workers).

In 2008, the balanced scorecard system also involved 88% of the managers compared to 82% in 2007. The variable remuneration of the managers was linked to achievement of specific projects-objectives as these were set forth in the strategic map, assessment of specific organizational behaviours and, where significant, adherence to an assigned budget.

A total of 322 managers and executives received a bonus linked to the Balanced Scorecard in 2008. This is added to 260 employees who received an incentive bonus in the forms provided by the merit-based policies of the Group in 2008: meritorious wage increase or one-off bonus.

Pension funds

The Hera Group has three main pension funds created through national collective labour agreements: *Pegaso* for employees under the Federgasacqua and Federenergia national collective labour agreements, *Previamente* for employees under the Federambiente national collective labour agreement, and *Previndai* for executives.

The number of employees participating in the pension funds increased from 4,076 in 2007 to 4,240 in 2008. Following the considerable jump in participation in supplementary pension funds as a result of the reform, no significant changes were recorded in 2008.

The table below sets forth the yield of the balanced subfund within the two main pension funds, which comprise 93% of workers participating in the pension funds.

Yield of the main pension funds (balanced subfund)

%	2006	2007	2008
Pegaso	3.28%	1.80%	-7.43%
Previambiente	4.02%	0.80%	-8.09%

Health and safety

In 2006 Hera S.p.A. started the works to implement a Safety Management System, with the aim of obtaining certification according to the OHSAS 18001 standard. In order to verify the work carried out and submit the initial results of the system implemented to a third party, in May 2007, the DNV certification company carried out documentary inspections of the Hera Group in May 2007, and preliminary compliance checks in October and November 2007.

For the purpose of the preliminary checks, an exhaustive audit was performed, which included all the characteristic processes of Hera S.p.A. and the seven Territorial Operative Companies.

The checks carried out resulted in the creation of a meaningful action and improvement plan, implemented into the Group's 2008-2010 Industrial Plan. Given the real organisational complexity of the Group, it was considered that the certification project needed to be faced with a suitable amount of resources and a rescheduled timetable.

In September 2008, through DNV the company presented to SINCERT (the Italian accreditation body), which accepted, a request to tackle the certification process for the OHSAS 18001:2007 regulation by gradual steps over the three-year period 2008-2010, adapting the development of the Health and Safety Management System to its own organisational model. This will result in the gradual development of the certification process no longer on a site-by-site basis, but based on a process logic.

SINCERT is defining a series of necessary conditions in order to accept the proposed approach. Hera must immediately guarantee the application of the following to all sites and processes:

- health and safety policies;
- improvement measures;
- performance of internal audits;
- management of accidents and the accident investigation process;
- management review.

It is considered that this choice will lay the best foundations for obtaining certifications, also offering a guarantee of conditions of health and safety in the workplace within the Hera Group, along a path to excellence and sustainability.

Accident indexes

	2006	2007	2008
Frequency Index (no.)	47.5	42.1	38.2
<i>of which for on going accidents (n)</i>	8.1	7.4	5.9
Severity index (days)	1.5	1.2	1.1
Rate Index (no.)	7.5	6.6	6.1

The frequency index is the number of accidents per million hours worked. The severity index is the number of days of absence per accident divided by thousands of hours worked. The rate index is obtained by dividing the number of accidents by the number of workers (multiplied by 100). The data refer to Hera S.p.A. and the seven Territorial Operative Companies.

The decreasing trend which began in 2003 was also confirmed by the trend in all Group accident indexes in 2008, greatly outperforming the set target.

The accident frequency index for Hera S.p.A. and the Territorial Operative Companies dropped, standing at 38.2, a decrease of 9% compared to the value of 42.1 in 2007. It is noted that the accident frequency and rate indices regarding 2007 were adjusted based on the information acquired during the current year.

The achievement of the goal of decreasing the accident frequency and severity indexes by the end of 2008 compared to the values recorded in the previous years, was also the result of the Group's implementation of a Health and Safety Management System, which increased employees' awareness of correct behaviour in the workplace.

Employers and managers were provided training in order to increase their awareness regarding safety issues. The measures planned for further decreasing the accident frequency and severity indexes involve adopting an IT system to collect, analyse, and standardise the data regarding accidents, in order to allow for more detailed analysis of the types of accidents and their causes and, as a result, to achieve a decrease in the accident frequency and severity indexes.

Frequency index (breakdown by area of activity)

no.	2006	2007	2008
Grid services	36.9	33.0	36.9
Waste management services	77.9	69.6	55.6
Other services	16.3	19.4	17.2
Average	47.5	42.1	38.2

The data refer to Hera S.p.A. and the seven Territorial Operative Companies.

Frequency index (breakdown by area)

(no.)	2006	2007	2008
Hera Bologna area	42.3	37.5	41.1
Hera Ferrara area	39.4	37.0	32.7
Hera Forlì-Cesena area	32.4	28.2	38.4
Hera Imola-Faenza area	33.8	18.7	20.8
Hera Modena area	42.2	41.9	37.9
Hera Ravenna area	31.7	27.0	21.9
Hera Rimini area	100.5	88.2	59.8
Average	47.5	42.1	38.2

The data refer to Hera S.p.A. and the seven Territorial Operative Companies. Hera Bologna excludes cemetery services.

The frequency index analysis by local area shows that not all areas have lower amounts as compared to 2007. The trend in the accident rates for the Bologna, Forlì-Cesena and

Imola-Faenza areas worsened in the last year, though two of these areas have improved compared to 2006. The number of accidents that took place going to and from work – 48 events out of 311 - that continue to significantly affect the overall data (15.4%) has also dropped.

Accident indexes of a number of subsidiaries (2008)

	Marche Multiservizi	Ecologia Ambiente	Nuova Geovis	FEA	Uniflotte	Hera Luce	Hera Comm
Frequency Index (no.)	84.9	17.1	56.8	64.9	83.3	48.0	12.8
Severity index (days)	3.0	0.2	0.7	1.2	2.6	1.3	0.2
Rate Index (no.)	13.5	2.7	11.1	10.9	12.7	8.0	1.8
Workforce (no.)	541	112	27	46	166	88	219

Insofar as the accidents of the subsidiaries that were taken into account, for Ecologia Ambiente and Hera Comm we note an improvement in all indices, while the indices of the other companies worsened.

As Hera Comm is a sales company, it cannot be directly compared with the other companies, as it does not fall within the same risk class as the others that have a greater operational component.

The overall frequency index for all the companies considered (Hera S.p.A., Territorial Operative Companies and the main subsidiaries included in the table) amounted to 42.7, showing a decrease compared to the previous year's figure of 43.6.

Health checks performed

(no.)	2006	2007	2008
Hearing tests	1,354	1,252	1,052
Respiratory tests	2,007	2,150	1,644
Laboratory tests	1,761	1,659	1,395
Sight and eye tests	491	1,066	686
Total check-ups performed	3,228	3,641	3,052
Total workers examined	2,820	3,641	3,034

The data refer to Hera S.p.A. and the seven Territorial Operative Companies.

The checks indicated in the table refer to the employee health monitoring pursuant to law, performed by a qualified doctor. The sight and eye tests for the most part regard employees who work with video terminals; the rest of the tests involve the operating personnel.

The content of employee health monitoring is defined based on the results of the valuation of specific risks of the work activities, regarding single positions/duties. The management of occupational medicine is carried out through the application of the Health Protocol, drafted by the qualified doctor based on the risks indicated in the risk evaluation document (art. 28, Legislative Decree 81/2008), which sets forth the checks to be carried out and their frequency. The check-ups are performed with variable frequency, also once every few years, depending on the legal requirements associated with the risks. At end 2008 the Bologna area implemented the computerisation of the schedule of tests and check ups. In 2009 this will be extended to all Group companies. In 2008, 10 workers were declared to be unsuited following monitoring visits.

Industrial relations

Local negotiations were started with trade union representatives for the purpose of the application of the new organisational model for securing availability in the management of emergency services for grids and fluid networks which aims to guarantee improved, uniform worker, plant and community safety. As of January 2009, these negotiations have been concluded in the Forlì-Cesena, Modena and Rimini areas, while they are continuing, or have been initiated, in the others.

The project for remote control centralisation of the Forlì site was launched, aimed at concentrating the remote control of the operation of fluid networks and the technical call centre as an emergency call centre which shall receive warnings and organise on-call and emergency services. Several meetings with trade unions were organised in order to analyse the status of implementation of the project.

Trade union activity continued on organisational alignment issues such as the standardisation of compensation for on-call services in the Waste Management Division and compensation for travel.

The trade unions were involved in the implementation of the laboratory project (rationalisation of the Group's various laboratories) also through audit meetings as provided by the trade union agreements signed.

Based on the Group's guidelines which have been in place for some time, and on a subsequent trade union platform, talks were started on the issue of tenders. During these talks, the trade unions were presented with all scenarios in terms of organisation and the development of sector regulations which impact or affect company policy on the issue of tenders, such as the scenarios on the possible development of environmental regulations and those resulting from the fulfilment of AEEG resolutions on functional and accounting separation and on the Independent Operator.

All the initiatives that the Group undertakes and has undertaken on the issue of governing tenders were also illustrated, from the supplier qualification system to the system of control over execution of the contracted activities, from the safety model regarding relations and common risks with those operating under contract within the company production cycle to training activities aimed at preserving internal knowledge and skills as well as core activities of the Group.

Implementation of the laboratory project involved the personnel in territorial mobility processes. These processes, which were voluntary, involved the insertion of three workers coming from other areas of the Group into the laboratories. Fourteen reassignments were made to other divisions or companies and sixteen temporary and permanent transfers were made within the laboratory organisations.

The launch of the centralisation of remote control and the technical call centre in the Forlì site, which, as of now, has centralised in this site the activities of Hera Forlì-Cesena and Hera Ravenna, involved the mobility of a total of seven resources.

Union membership (breakdown by trade union)

(no.)	2006	2007	2008
CGIL	2,395	2,465	2,513
CISL	553	605	584
UIL	660	662	719
CISAL Federenergia	96	46	44
FIADDEL	-	61	70
RDB	-	32	35
UGL and other	4	5	2
COBAS			5
ASSOQUADRI			26
Total	3,708	3,876	3,998
Percentage of entire workforce	64.8%	62.4%	61.7%

The 2006 figures do not include Ecologia Ambiente, Hera Luce, Medea, Nuova Geovis, and Akron.

Compared to the previous years, the number of trade union members continues to slightly, but steadily decline. This is due to employee turnover and low levels of trade union membership of new hires, and the increase in the number of managers and white-collar workers, who have lower levels of trade union membership as compared to blue-collar workers. The increase in the non-confederation unions continues.

Strikes (hours)

(hours)	2006	2007	2008
Total time on strike (hours)	27,449	8,442	21,983
Time on strike (per capita)	4.8	1.4	3.6

The data refer to the following companies: Hera S.p.A., Società Operative Territoriali, Marche Multiservizi, Famula On-Line, Uniflotte, Hera Comm, Hera Trading, FEA, Ecologia Ambiente, and Recupera.

In 2008 five strikes were called, including two called by autonomous trade unions, in addition to a refusal to work overtime. In three cases, the trade union protests were aimed at government policies. Another national strike, in addition to the refusal to work overtime, was called to protest against the failure to renew the Federambiente National Collective Labour Agreement. Only in one case was the strike a company strike, called by a Group subsidiary to protest against the failure to consolidate several fixed-term employment contracts.

Considering the Hera Group with the sole exclusion of Marche Multiservizi, at the close of 2008, 36 cases of litigation were pending, with specific balance sheet provisions made in view of the potential costs. Of these, one lawsuit in the first instance, and one on appeal at the Court of Cassation were initiated by the company.

Generally, the lawsuits regard seniority issues and the alleged failure to apply contractual terms. Two of these, which are collective litigation, relate to the conditions applying to the laundering of work clothing of staff. There are also several pending cases initiated by 9 former temporary workers.

In 2008, 20 cases of litigation with employees were settled, including one brought for alleged anti-union conduct, which was concluded in favour of the company.

The Marche Multiservizi Group has 4 pending lawsuits brought by employees: one for compensation for damages and three for changes in professional seniority.

Litigation with the workforce

no.	2006	2007	2008
Litigation pending at the close of the year	24	32	40

In 2008, 186 disciplinary measures were taken against Group employees, 4 of which were from Marche Multiservizi, in compliance with the applicable national labour agreements. They mainly involved oral or written reprimands (87 cases), withholdings on salary (53 cases totalling Euro 2,170) and temporary suspensions from work (39 cases); in seven cases it was necessary to resort to termination without notice.

Internal communication

During 2008, activities aimed at improving instruments of communication with the workforce continued, while new initiatives were launched for the purpose of enhancing cohesion in the name of involvement, integration and transparency.

The most significant sign of the commitment to sharing of company management was the publication in the House Organ, of the results of the internal climate survey and of specific projects implemented in order to respond to specific issues.

In 2008 the House Organ (HO), was revised with improved graphics to facilitate reading, and its contents were additionally improved to favour its use as a source of useful, updated information, announcing news to all colleagues.

Articles were introduced to announce the Job Posting project (internal company mobility), to increase awareness of the excellence of the Group's important plants, structures and projects, to highlight Hera's innovation and technologies. Serial articles were also published on Quality, Safety and Environment issues, on safety in the workplace, training activities, the results of internal surveys (such as that on company canteens) and summaries of meetings with employees.

Space was also provided for articles and interviews in order to spotlight Hera's talent in non-work activities (articles on athletes, artists, writers and workers involved in volunteer and solidarity initiatives) to stimulate the cohesion and development of an internal community. The commitment was strengthened to continue to periodically publish sections and special inserts regarding free time (articles dedicated to cultural events, events and news from workers' social organisations - CRAL) to make the House Organ more useful and interesting.

Video Hera, plasma TV screens placed in areas frequented by employees, have been enriched with new contents and more frequent updates on news from Hera and the world (over 30 news items per day) and a new stand at the Hera Comm offices.

PIA, the Group intranet, was expanded with new sections (Hera Water and Internal Mobility), with the idea of creating a Hera on-line community which crosses geographical areas and various job roles. In the House Organ section, all editions of the newsletter are published on-line in real time. The Job Posting section was launched, focused on recruitment of internal personnel and intra-company mobility. In addition, the offering of news from Hera and beyond was enriched, providing a window on current events fed by agency news and two ANSA video news broadcasts per day. To

increase involvement in particularly important company events, a new communications tool was introduced: live webcasting on the internal portal, which was tested the first time with the inauguration of the single remote control unit for fluids in Forlì. The company intranet increased from 731,000 page views per month on average in 2007 to 1,106,000 page views in 2008, an increase of over 50%.

On 13 February 2008, on International Energy Saving Day – “*M’illumino di meno*” (Light up Less), the “Positive Energy” campaign was launched, for the third consecutive year. This is an internal campaign supporting actions aiming to promote energy saving within the company, which was also repeated in 2009.

As regards the promotion of sustainable behaviour, in 2008 the communications campaign “*Hera₂O, beviamo acqua Hera anche in azienda*” (Hera₂O, We Drink Hera Water also at Work) was implemented. This campaign was developed in order to promote the use of tap water in offices and canteens.

In order to easily promote opportunities for employees of the various Territorial Operative Companies to meet, again in 2008 it was decided to provide employees with discount or free tickets to concerts, exhibitions and shows in the area, thanks to initiatives such as “*C’è uno spettacolo per te*” (A Show for You).

The new version of the Employee Welcome Kit was developed, which contains useful information for the orientation of new arrivals; new graphics and contents were introduced, including numerous photographs from the “*La Tua Hera*” (Your Hera) internal photography contest.

Games and sports activities aimed at bringing together workers from different geographical areas increased, also as a result of cooperation with the Hera Group Coordinamento Intercircoli (Coordination of Hera Group Intercompany Associations). Working together, very successful events were organised.

Renovation and reconstruction of premises

... in Bologna

In 2008, in the company premises in viale Berti Pichat, the works were launched for the faithful renovation of the historical building called “*vecchia officina*”, which will be used for management offices. At the same time, in the area of Frullo (where the waste-to-energy plant is located) works were started for the renovation of the “*palazzina uffici-servizi*” building, in order to create the new company canteen, increased in size to match the new single headquarters of Hera Bologna. In 2009, the worksite will be handed over to the contractors awarded the tender for the construction of the new headquarters, which will allow for the decentralising of the activities of Hera Bologna which are currently located in viale Berti Pichat.

... in Forlì

In 2008, in the headquarters in via Balzella, the New Network and Grid Unified Remote Control Centre were inaugurated. In addition, the works were completed for the creation of one of the three Analysis Laboratory centres (the other two centres completed during 2008 resulted from the renovation of the pre-existing Analysis Laboratories in Ravenna and Bologna-Sasso Marconi).

... in Modena

During 2008 the planning and preliminary investigations were completed for obtaining the permits and for awarding the tender for the renovation and expansion of the headquarters in via Razzaboni. These works should be completed during 2009, and will

permit the unification of the activities of Hera Modena, with the resulting disposal of the offices in Via Morandi.

... in Rimini

In 2008 the headquarters in Strada Consolare, the construction works were completed for building the new Warehouse and the new bays reserved for waste compactors, as well as for the complete renovation of the office building dedicated to the Waste Management Division.

Cultural associations

The workforce may take part in the activities organised by the cultural associations of the various areas, set up in order to foster relations among employees. The associations organise cultural, recreational, sports and tourism activities, promote special commercial agreements, organise dinner parties, outings, Christmas and carnival events, competitive sports events, fishing competitions and ski excursions. These associations also make theatre season ticket booking and book-lending services available.

For their members, the associations contribute a portion to book spending on the part of student workers and the children of employees and other contributions for sporting activities and discounts from several businesses.

The associations are managed independently by a Management Board whose members are elected directly by association members. Organisationally, the board's actions are based on yearly budgets and programmes. The Group contributes to the activities of the associations by guaranteeing the financial resources envisaged as a part of national collective labour agreements and of locally stipulated agreements and provides space for recreational activities or for management of these activities which are also promoted through the internal communications instruments.

In 2008, 4,896 employees were members of the associations. The activities of the associations have been financed with contributions by the company (over Euro 590 thousand) and the employees (over Euro 56 thousand). Excluding Marche Multiservizi, over 12,000 people participated in the activities organised by the cultural associations.

In 2008, the associations in the Forli-Cesena area were aggregated and, though the number of overall members slightly decreased, there was an increase in participation in association activities in all business segments.

Participants in the activities organised by cultural associations

(no.)	2006	2007	2008
Sports	2,214	1,849	1,888
Tourism	2,162	1,749	2,120
Cultural activities	1,814	1,273	1,275
Recreational activities	6,398	3,333	5,558
Activities for young people	1,827	1,421	1,401

Data do not include Marche Multiservizi.

Cooperation with the company cultural associations continued, including following the setting up of the *Coordinamento Circoli Interaziendali Hera* (Coordination of Hera Group Intercompany Associations), which organised highly successful events in which

workers from all local areas participated. The “Hera Cup”, the Hera Group sailing regatta was organised for the second year in May 2008, with over 80 participants, while the “Trofeo Hera Ski Adventure” – the company giant slalom – was organised for the second time, counting over 300 participants.

Customers

The customer base served by Hera totals more than 3.1 million, spread over the six provinces of the Emilia-Romagna region and several municipalities of the provinces of Florence and of Pesaro and Urbino. Hera also provides services to local businesses, which fall under the category of business customers. Hera is constructing fast track channels for relations with this customer base.

Starting in 2005, Hera started a survey to check the satisfaction and listen to the requirements of customers. Customer satisfaction surveys are carried out every year and the results are used to define improvement objectives.

Objectives and performance

We said we would...	We have...
<ul style="list-style-type: none"> • Reduce waiting times at branches (21 minutes in 2008 and 20 minutes in 2010). • Restructure the branches in Forlì and Cesena in 2008 and extend the new layout to all major branches of the Group by 2010. • Reduce waiting times at call centres: 30 seconds in 2008 for residential customers and 25 seconds in 2008 for business customers. • Further improve compliance with specific commercial quality standards for gas and electrical energy services. • Begin monitoring of quality standards as these are set forth in the approved service Charters. • Safety of the gas service: increase the percentage of the grid inspected compared to 2007 (to gradually reach the benchmark levels set by the AEEG (Authority for Electricity and Natural Gas) by 2010) and the percentage of emergency calls with response times of less than 60 minutes. • Introduce in 2008 the option of receiving an electronic bill rather than a printed bill. • Promote the dispute resolution procedure so as to prevent in court disputes with customers. 	<ul style="list-style-type: none"> • In 2008 the average waiting time at branches was 18.5 minutes (see page 108). • The Forlì and Cesena branches were completely renovated and inaugurated in November and December (see page 108). • Call centre waiting times were 66 seconds for residential customers and 42 seconds for business customers (see page 107). • The percentage of compliance to specific standards was 95.8%, compared to 94.7% in 2007 (see page 96). • Monitoring of the standards of the water service charter in five ATOs and of the district heating service in all areas served was launched (see page 96). • In 2008, the percentage of the grid inspected was further increased compared to 2007. The percentage rate of emergency call response times within 60 minutes remained substantially unchanged compared to 2007 (see page 102). • From July 2008, the possibility was provided to request bills in electronic format in substitution of the paper-based bill sent by ordinary post (see page 106). • Starting from 1 February 2009 the joint medication service has been activated for residential gas and electricity customers (see page 110).

We shall...	
<ul style="list-style-type: none"> • Further reduce waiting times at branches (reach 15 minutes by 2010) differentiating the waiting times for households and businesses. • Restructure the branches in Forlì and Cesena in 2009 and extend the new layout to all major branches of the Group by 2010. • Improve call centre waiting times (reach 40 seconds for residential customers by 2010 and 30 seconds for business customers) • Improve response times to complaints, reaching an average response time of 17 days by 2010 and organise a complaints analysis to define actions for improvement. • Improve the customer satisfaction index by defining and monitoring actions for improvement: reach an index of 68 in 2009 and 70 by 2011. • Further improve compliance with specific commercial quality standards for gas and electrical energy services, and the standards set forth in the approved Service Charters. • Further develop the HER@ ON-LINE channel for business customers in 2009. • Launch the new Club Hera Insieme, implementing the suggestions provided by residential customers: financial savings and environmental sustainability. • Promote the reliability of tap water also through the publication of the first annual report on the quality of the Hera Group drinking water. 	

Breakdown

Energy services customers

(thous.)	2006	2007	2008
Gas customers	1,003.1	1,018.7	1,065.7
Electricity customers	263.7	273.2	286.9

Integrated water service customers

(thous.)	2006	2007	2008
Total customers	982.4	1,015.0	1,153.9

Urban hygiene services

	2006	2007	2008
Municipalities served (no.)	143	145	172
Citizens served (thous.)	2,439	2,443	2,667

In 2008, the path of growth continued, which saw increases in customers for all services.

This increase for free market services was obtained by following a policy of commercial development that is based on the following:

- multiple services offer: simplifying management for customers by proposing a single contact point and only one bill for energy services (gas and electricity) and the concessions (water and urban hygiene) in the territories handled;
- proximity to customers: to be physically close to customers through the network of branches and the widespread sales structure; to be quickly accessible

through a call centre and the web; to be socially responsible and contribute with our activities to the growth of the territory and of the local communities;

- economic advantage and openness: proposing offers that are always competitive and clear, suited to the needs of all customers (over thirty offers are available, many of which can be further personalised).

The sales policies and management channels

The sales strategy has different focuses depending on the customers: households, small and medium sized companies, large companies, condominiums and public bodies.

Following the deregulation of the electricity market for households, in June 2008 Hera Comm launched a second offer dedicated to this segment: “*Tre per Te*” (Three for You), a dual fuel offer, at a fixed price, decreasing over three years. *Tre per Te*, which follows on “*Formula Risparmio*” (Savings Formula) launched in July 2007, also offers a twin rate option. In December, “*Formula Plus*” was promoted for customers signed up for HER@ ON-LINE.

Regarding the sales of electricity to companies, Hera Comm has proposed both offers of electricity alone and in conjunction with gas (dual fuel offer), providing the *Energia Verde* (Green Energy) option of acquiring energy produced from renewable sources, also for 2008.

The sales relation with business customers is handled by Hera Comm through preferential relationship channels that feature key account handling for the "large companies" and "condominium" segments, dedicated agents for the "small and medium sized company" segment and a dedicated call centre. The latter provides customers with a single channel and contact point for all services provided. At the end of 2008, Hera's business customer base numbered approximately 39,300.

Sustainability “at the service” of offers to customers

Hera's commercial operations are increasingly joined with environmental sustainability actions. Under the “*Formula Risparmio*” (Savings Formula) for electricity from March to May 2008, workers were distributed kits for reducing household energy consumption, comprising 4 LFC low consumption light bulbs and 2 water flow regulators. Sustainable “tools” were also used to launch the “*Tre per Te*” (Three for You) offer for households choosing Hera to supply both their natural gas and electricity: this is a “mobile office” taking the form of a camper powered by solar, which visited the six provinces served by the Group in order to meet citizens and field their “door-to-door” requests.

Customer loyalty building

In 2008, the innovation of the marketing and customer loyalty initiative Hera Insieme continued, to better meet customers' needs. Specifically, in July 2008 the underlying assumptions of the project were tested and confirmed. These assumptions were developed based on the suggestions and needs highlighted by customers during the focus groups held in September 2007. Near the end of the year, the organisation of the project was shared with consumer associations in order to gain their suggestions before finalising the project. Moreover, in the first half of the year, a competition was held to identify the communications agency to develop the new creativity and image for Hera Insieme. This initiative aims:

- to provide instruments for dialogue, savings and sustainability, able to express the closeness and proximity that are characteristic of Hera:
- to maintain the offers on the residential energy market, which was recently de-regulated and opened to competition;
- to build customer loyalty.

This initiative aims at aiding Hera customers in this time of crisis and economic difficulty, while respecting and championing Hera's values and competencies. The launch of the initiative was postponed to the first quarter of 2009. At the end of 2008, Hera Insieme had 46,009 members.

Tariffs and billing

Hera manages regulated services (e.g. the integrated water cycle, municipal waste, and gas and electricity distribution) and free market services (e.g. waste disposal and gas and electricity sales). For regulated services, the tariffs applied by Hera are regulated by controlling authorities (AEEG and ATO), while for free market services, tariffs are influenced by competition between companies. Also in this case, however, the controlling authorities have a say. To provide protection for consumers, AEEG establishes (every three months) the maximum tariffs that sales companies (e.g. Hera Comm) can apply.

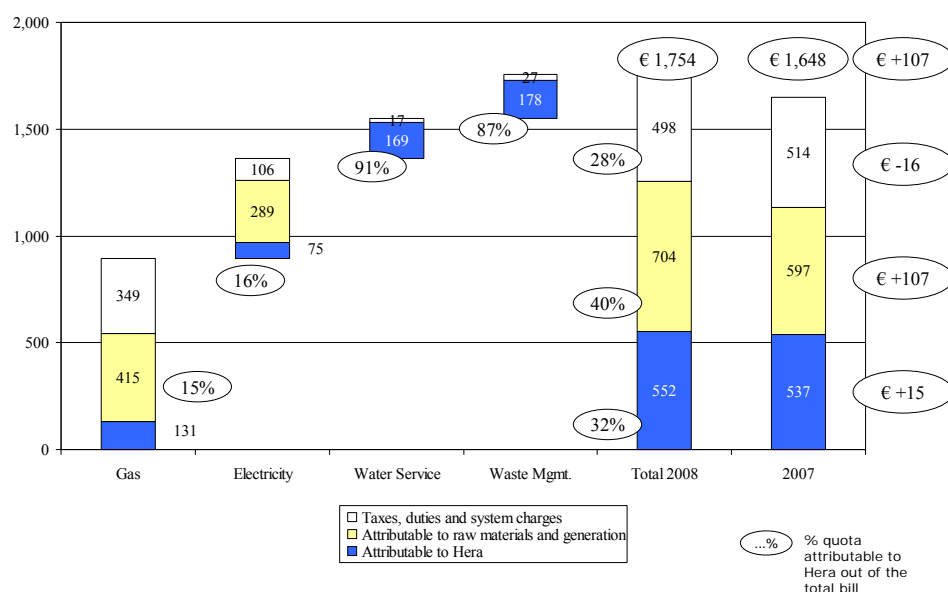
In 2008, an average customer spent Euro 1,754 for Hera's services; of this amount, only 31.5% represents elements of the bills issued by Hera. The increase recorded in 2008 amounted to Euro 107 compared to 2007, and only Euro 15 was applicable to Hera's portion. The most significant increase regarded the portion of raw materials and generation: + Euro 107 compared to 2007. A decrease of Euro 16 was recorded in the portion of taxes, duties and system charges.

In percentage terms, the total cost for Hera services increased by 6.5% compared to 2007. This increase is mainly due to the considerable increase (+18%) in the raw materials portion, while Hera's portion increased by 2.8%, below the inflation rate recorded in 2008, which amounted to 3.2%. Taxes, duties and system charges decreased by 3.1%. The Euro 15 increase in Hera's quota corresponds to 0.9% of the total amount of Hera bills.

The costs of Hera services for an average customer

Euro	2006	2007	2008	Change In Euro	Change in %
Gas	825.54	850.38	894.07	+43.69	+5.1%
Electricity	399.50	422.33	470.43	+48.10	+11.4%
Water services	171.01	178.22	185.72	+7.50	+4.2%
Waste	193.30	196.78	204.17	+7.39	+3.8%
Total	1,589.35	1,647.71	1,754.39	+106.68	+6.5%
<i>of which attributed to Hera</i>	527.99	536.89	552.05	+15.16	+2.8%
<i>of which attributed to raw materials and generation</i>	563.88	596.76	704.22	+107.46	+18.0%
<i>of which taxes, duties and system charges</i>	497.48	514.06	498.12	-15.94	-3.1%

The costs of Hera services for an average customer



The gas bill

Euro	2005-06	2006-07	2007-08	
Raw material component	342.75	371.92	414.87	
Variable sale quota	23.60	23.60	27.52	Attributable to Hera: 15% out of the total bill
Distribution tariff	101.92	102.73	103.03	
Consumption tax	182.70	175.50	189.20	
Regional tax	36.70	34.90	35.70	
VAT	137.87	141.73	123.75	
Total	825.53	850.38	894.07	

Arithmetical average of six bills for a residential client in the municipalities of Bologna, Ferrara, Forlì, Imola, Modena and Ravenna, whose yearly consumption totals 1,200 cubic meters of methane gas. The grey areas refer to tariff components not falling under the responsibility of Hera. A client under former non-eligible market tariff protection conditions was considered. The complete data regarding the gas supply tariffs are available on the Group's internet site.

The gas bill for the thermal year 2007-2008 was 5.1% higher than the thermal year 2006-2007. This increase is mainly due to the 11.5% increase in the raw materials component (which was affected by the rise in the price of oil), the variable sale quota that has remained practically unchanged over the last 3 years, the tax on consumption and the regional surtax.

This increase was partially offset by the substantial stability in the distribution tariffs and the decrease in VAT (starting from 1 January 2008 the rate of 10% is applied on the first 480 cubic metres consumed and the rate of 20% is applied to subsequent consumption).

It is necessary to specify that the distribution tariff in the bill above was calculated on the basis of AEEG resolutions no. 170/2004 and 122/2005. In March 2007 the AEEG resolution no. 53 defined the distribution tariffs to be applied in thermal years 2005-2006 and 2006-2007, and in October 2007 the AEEG resolution no. 261 approved the distribution tariffs to be applied in thermal year 2007-2008. The new tariffs defined by the AEEG resolution no. 53 of 2007 were applied as an offset in the bills issued in 2007. To achieve a correct representation of the evolution of the bill for a “standard” customer in the three years considered, the distribution tariff of the 2005-2006 bill was updated. The distribution tariffs are defined in the local areas by the AEEG, taking into account criteria such as investments made, customers served and energy distributed. The distribution tariff affects the total bill by approximately 11.5%, compared to 12.1% in the previous thermal year, and is collected by the company that manages the gas distribution service.

The variable sales quota is set by the AEEG, in compliance with resolution no. 237/2000 and was constant for the thermal year 2003-2004 until 30 September 2007. From 1 October 2007, with resolution no. 240/2007, the AEEG updated the variable quota to 11.7%, while from 1 January 2008, with resolution no. 347/07, it instituted a fixed yearly quota of Euro 3.6/customer. This component regards the costs of sales activities (metering, invoicing, sending bills, etc.) incurred by the gas sales company and thus, by Hera Comm.

The raw material component, updated by the AEEG pursuant to resolution no. 195/2002 and then by resolution no. 79/2007, accounts for 46.4% of the total bill, compared to 43.7% in the previous thermal year, and regards the cost of procurement, stocking and transport of gas on the national network.

Lastly, taxes account for approx. 39% of the total, compared to 41.4% in the previous thermal year, and are due to the State and regional local government authorities (revenue tax, additional regional tax, VAT). Taxes are set by specific provisions by the Ministry of the Economy and Finance and the regional government authorities, and vary according to the use of the gas, whether for heating or only for cooking or industrial uses.

Legislative Decree 26/2007 defined the new annual consumption brackets on which to apply revenue tax and additional regional tax, also establishing the VAT rates to apply to said consumption brackets, effective from 1 January 2008. The Ministry of the Economy and Finance Decree of 13 February 2008 defined the amounts valid for 2008.

The electrical energy bill

Euro	2006	2007	2008	
Generation/energy quota	161.46	182.92	265.93	
Dispatching quota	59.67	41.92	23.42	
Distribution and sales quota	78.92	77.43	75.12	Attributable to Hera: 16% out of the total bill
System charges	40.77	59.31	40.83	
Income taxes	22.36	22.36	22.36	
VAT (10%)	36.32	38.39	42.77	
Total	399.50	422.32	470.42	

Bill for a residential customer with an installed capacity of 3kW, whose yearly consumption totals 2700 kWh. The grey areas refer to tariff components not falling under the responsibility of Hera. A customer of the market with the highest protection as from the second half of 2007, with a residential contract was considered.

For electricity bills of residential customers in the most protected category, the total increase recorded in 2008 compared to 2006 (+17.8%) is a direct result of the sharp increase in the cost of production of electricity (which does not represent revenues for Hera), partially offset by a decrease of 4.8% in the quota due to Hera.

The above bill refers to customers of the market with the highest protection, with a residential contract, which are families and small businesses that have not adhered to tariff offers by sales companies; these customers are guaranteed energy supply at the prices set by the AEEG. To this end, we note the *Formula Risparmio* (Savings Formula) and “*Tre per te*” (Three for You) offers that Hera proposed to residential customers following the complete de-regulation of this market sector that took place on 1 July 2007. For example, by subscribing to the “*Formula risparmio*” offer, residential customers receive a 4% discount on the energy and dispatching quota: the effect on the bill shown above for 2008 can be quantified as approximately Euro 13 per year. The “*Tre per te*” (Three for You) offer provides a fixed price, decreasing over three years, for the raw material component (energy and dispatching quotas), and is available both through a single rate option and a twin rate option. Customers adhering to Hera’s offer receive a sheet summarizing all payments, drawn up following the templates provided by AEEG resolution no. 105/06 (and subsequent amendments and integrations), which provides a comparison of the estimated annual expenses deriving from the offer which the customer adhered to with the estimate of annual expenses deriving from the economic terms and conditions on the most protected market defined by the AEEG.

Integrated water services bill

Euro	2006	2007	2008	
Waterworks	83.65	87.65	89.02	
Sewerage	16.40	17.38	18.62	Attributable to Hera: 91% out of the total bill
Purification	45.63	47.47	50.94	
Fixed quota	9.27	9.51	10.26	
VAT (10%)	15.50	16.20	16.88	
Total	170.44	178.22	185.72	

Arithmetical average of six bills for a household of residents in the municipalities of Bologna, Ferrara, Forlì, Imola, Modena, Ravenna and Rimini whose yearly consumption totals 130 m³ of water. The grey areas refer to tariff components not falling under the responsibility of Hera.

In 2005, the tariffs for the water cycle were set by the Water and Waste Regulatory Authorities (they had previously been defined by the CIPE) with regard to all

components relative to the variable water quota, the fixed quota, and sewerage and purification quotas.

The average bill for a residential customer for 130 m³ per year increased from Euro 170 in 2006 to Euro 186 in 2008, an increase of 4.2% over the last year, and 4.6% in the previous year.

The tariffs applied by Hera for the 2006-2007 period are those resolved by the Waste and Water Regulatory Authorities in accordance with agreements subscribed in 2004 and supplemented in the three-year period 2005-2007. The tariffs applied for 2008 are those resolved by the Waste and Water Regulatory Authorities in accordance with agreements subscribed for the five-year period 2008-2012, with the exception of the Modena Water and Waste Regulatory Authority (agreement subscribed up to 2009), in application of the new regional method introduced by the Regional Council President Decree no. 49 of 13 March 2006.

The cost of water in Italy and Europe

The Report on the State of Water Services, presented in 2008 by the Italian Water Resource Watchdog Committee compares the water tariffs in different countries. “The availability of international data for several large cities outside of Italy shows that, even adjusting the total expense for water services based on different levels of purchasing power, Italian tariffs result in an average expense slightly above the median of expenses abroad. The growth in tariffs is clear, even though tariffs currently have not reached the average levels applied in other countries.”

The average cost of water in other countries is Euro 2 per cubic metre, with values higher than Euro 3 for Berlin, Warsaw, Zurich and Paris.

According to the Report on the Integrated Water Service, drawn up by the ‘Osservatorio Prezzi&Tariffe’ (Prices and Tariffs Observatory) of the Cittadinanzattiva association in 2008, the highest tariffs in Italy (above the national average) are found, in order, in Tuscany, Puglia, Umbria, Emilia-Romagna, Marche, Sicily, Liguria and Sardinia.

The 2008 tariff includes the costs for management of rainwater for the ATOs of Bologna, Modena, Ravenna, Ferrara, Forlì-Cesena (limited to a small part of the municipality of Cesenatico) and Rimini.

According to Law no. 13 of 27 February 2009, resulting from judgement no. 335/2008 of the Constitutional Court, Customers connected to the sewage network without purified sewage are entitled to a different water treatment tariff than those with purified sewage. The aforementioned Law 13 assigned responsibility for determining the water purification tariffs, both for the past period and for the future, for users without treated sewers, to the Waste and Water Regulatory Agencies, which must comply by June 2009. These tariffs must take into account the costs already incurred for design and partial implementation of the interventions aimed at the purification of waste water.

In the Hera Group, only 3.3% of customers are affected by this regulatory change. This is the percentage of customers connected to a sewage network which does not lead to a purification plant. The latest national data available (Report to Parliament presented by the Water Resource Watchdog Committee, 2005) show that in Italy, approximately 9% of customers are in this situation.

The average expenditure for the integrated water service differs by geographical area, sometimes significantly, and this depends on the different cost structures in the various local areas, this being due in particular to need to procure water from third party

suppliers and the tariff structure set by the Waste and Water Regulatory Authorities, insofar as its own responsibilities, which could affect residential use to a greater or lesser extent.

The trend in tariffs enabled the implementation of considerable investments aimed at improving the quality of the integrated water service, with specific focus on reducing water loss. In 2006, the tariff portion earmarked for investments aiming to guarantee a return on investment was 22% of applied tariffs. To this end, we note that in all ATOs the applied tariffs do not yet allow for recovery of capital as set forth in the applicable legislation.

It is worth noting that in the study by Civicum-Mediobanca, published in 2009, Hera is the company with the highest levels of investment, with almost Euro 545 invested for each 1,000 m³ of water invoiced (Euro 257 greater than ASM Brescia, which is ranked in second place). This study compared Hera with the companies controlled by the largest Italian municipalities, such as Turin, Brescia, Rome, Milan, Naples, Bari, Venice and Genoa.

Hera Rimini investments in the water cycle

In 2008 Hera Rimini implemented significant works for modernising the infrastructures of the water cycle in the area of the province of Rimini, amounting to approximately Euro 19 million, broken down as follows: Euro 10.1 million for water system, Euro 6.8 million for sewerage and Euro 2.1 million for purification. Among the main works, we highlight: the sewage collector of Vallata Canonica in Poggio Berni, the adjustment of the sewage lines of the 7th Lot of the Municipality of Rimini, the Bellaere tank in Santarcangelo, and the Covignano-Miramare water pipe. As a result of the progressive substitution of the oldest sections of the water network, in 2008 there was a decrease of over 10% in breakage compared to the previous year.

Billing for waste management

Euro	2006	2007	2008	
Fixed quota	71.13	72.91	73.88	<i>Attributable to Hera: 87% out of the total bill</i>
Variable quota	96.96	98.20	103.66	
Additional province charges	16.81	17.11	17.75	
VAT (10%)	8.40	8.56	8.88	
Total	193.30	196.77	204.17	

Arithmetical average of six bills for a household of 3 people, resident in the municipalities of Ferrara, Forlì, Imola, Modena, Ravenna, and Rimini, in an apartment measuring 80 m². The grey areas refer to tariff components not falling under the responsibility of Hera.

In 2008, Hera issued bills for environmental services (above all, sweeping, collection and disposal of waste) in 80 municipalities (47% of municipalities served and 65% of the population served). In the other municipalities, it is the municipal authority itself which issues bills to its residents and receives the TARSU (tax on solid municipal waste) solid waste tax.

The “typical” bill is shown for waste issued in 2006, the first year that Hera issued the bill regarding the TIA in all of the main municipalities, with the exception of Bologna (still under the TARSU regime). On average, a household of 3 people, residing in an apartment measuring 80 m² paid approximately Euro 204 in 2008 compared to Euro 197

in 2008 (+3.8%). The average increase of 3.8% is slightly higher than the 2008 inflation index, which amounted to 3.2%.

On tariffs applying to water and waste services....

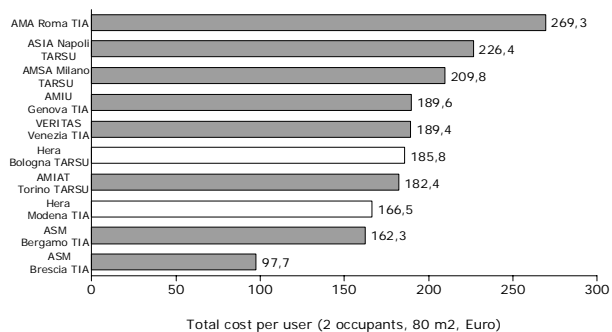
The Galli law and Ronchi decree establish the principle that the tariffs for integrated water services and solid waste, respectively, must fully cover service management costs while also providing appropriate returns on the capital invested by the operator for the services in question (via application of the so called “normalized method” for tariff setting). Within the area served by Hera, the tariffs situation is fairly varied from this point of view. The environmental hygiene tariffs (*Tariffe di Igiene Ambientale – TIA*), paid currently by citizens served by Hera, cover 90% of the sums of the costs incurred for provision of this service and for appropriate levels of returns on invested capital. Insofar as the integrated water service though, 93.4% of the costs and the return on investment foreseen in the plans agreed with the Water and Waste Water Authorities was covered by the tariffs that were effective in 2008.

The legal regulations include a specific criterion for setting the tariff to be applied to residents (the method termed the normalised method): the tariff must fully cover the costs (including disposal costs) which the service provider incurs. Furthermore, the tariff must ensure an appropriate return on the capital invested for management of the service. The tariff is divided into a fixed quota and a variable quota, with a distinction regarding user class on the basis of criteria agreed on with the Water and Waste Regulatory Authorities. The TIA sum is regulated, and the Water and Waste Regulatory Agencies check on correct application of the normalised method and therefore also on the tariffs to be applied to the users.

TIA differs from TARSU also because an attempt has been made to apply the principle that “people who create more waste should pay more:” among the parameters used for calculation of TIA for domestic users, we have home floorspace (m²) and the number of members of households. For non-domestic users, the type of activity is considered. The TIA also provides an incentive for separate waste collection since discounts are available for residents who conscientiously separate their waste. These discounts are granted, depending on the area involved and the type of user, for drop off of separate waste at drop-off points, for individual collection, where foreseen, for the collective separate waste collection in “igloo” bins, and for the organisation of treatment of assimilated waste.

The cost of urban hygiene services in several Italian cities

The study published in 2009 by the Mediobanca research department, regarding the companies controlled by the largest Italian municipalities compares the cost of urban hygiene services in the municipality of Modena (TIA) and in the municipality of Bologna (TARSU) for a typical household (2 occupants, 80 m²) with those of ten other Italian



municipalities. This study highlights the high levels of investments made by Hera in the waste management sector: out of the eight companies examined, Hera has the highest rate of investment (Euro 99.5 per tonne of waste collected).

In all the territories managed, Hera provides incentives for separate waste collection by applying discounts to the users that deliver waste to drop off points: The applied discounts differ in the various local areas and are subject to the approval of the Water and Waste Regulatory Agencies and the Municipalities. Assuming delivery to drop off points of 180 kilograms of waste in a year, a user will receive an average discount of approximately Euro 20, which, added to the savings on VAT and additional province tax, amounts to 11% of the bill above.

In some areas, where there is no public organic waste collection service, and where the separation of this type does not entitle discounts, it is possible to perform domestic composting, which entitles the customer to a further discount, calculated based on a 3-member household. In Ferrara this discount amounts to Euro 19.38, in Imola the discount is Euro 15.49, in Modena it is Euro 16.66, and in Ravenna it amounts to Euro 15.00, for an average discount of Euro 11 over the 6 municipalities. If you consider the total for an averagely responsible citizen who drops off their waste at the Separate Waste Collection Centres and performs domestic composting, this results in an average decrease of 17.6% on the tariffs of the municipalities considered.

For schools participating in separate waste collection, discounts of up to 80% of the tariff are provided. In the various areas the possibility was investigated of establishing agreements with schools for environmental education initiatives, providing rewarding incentives for schools actively participating in the agreed projects.

The initiatives relating to charity projects include the reduction of tariffs for non-residential users who continuously donate food products deriving from their operations to officially recognised voluntary or aid associations which operate in the municipal area, so that these products can be redistributed to the needy.

The district heating bill

Euro	2005-06	2006-07	2007-08
Meter rental	30.67	29.71	24.99
Variable quota	789.17	823.80	827.97
VAT	81.99	95.68	100.85
Total	901.83	949.19	953.81

Arithmetical average of the bills for a household resident in the municipalities of Bologna, Cesena, Ferrara, Imola and Modena, with average consumption of 8,630 kWh (equivalent to ³ of methane gas), with a monomial domestic tariff. The bill for Ferrara was calculated excluding the tax incentives recognised due to the prevalent use of geothermal sources. In Modena VAT of 20% was applied from 2007 as provided by the Financial Law of 2007. The grey areas refer to tariff components not falling under the responsibility of Hera.

The method of calculating the district heating bill considers the average expense incurred in the various areas for a household with average consumption of 8,630 kWh (equivalent to 1,200 m³ of methane gas) with a monomial domestic tariff.

The increase recorded in the thermal year 2007-2008 amounted to approximately Euro 5, equal to 0.5% compared to the bill for the previous thermal year.

Comparing the average expenses paid by a household for the district heating service with those which would be required for a methane gas system, it is clear that district

heating brings about significant savings. These savings amounted to an average of 10%, and are substantially the same in the various areas in which the Group tariff was fully applied during the thermal year 2007-08. The exception was Ferrara, where savings reached about 30%, as customers in this area can take advantage of a “tax incentive” due to the prevalent use of geothermic renewable sources.

This savings is mainly due to the reduction in accessory charges related to the management of the domestic boiler, which can be quantified as Euro 300 per year (the annual quota for the purchase of the boiler and the related ordinary and extraordinary maintenance costs).

Hera rewards sustainable tourism

In 2008, Hera granted a 10% discount on the variable waste rate on bills of tourism facilities participating in the “Recommended for use in defence of the environment” project, thereby applying the Memorandum of Understanding signed with Legambiente in Turismo in 2007, in a bid to encourage good sustainable tourism practices as regards reduced production and the disposal of waste. Legambiente certifies that these tourism facilities apply the commitments set forth in the association handbook, and that they passed the tests carried out in 2008. The discount regards the facilities operating in municipalities where the environmental hygiene tariff (TIA) is in force, while in the areas where the TARSU regime is in force, facilities equipped with cabinets for separate waste collection are rewarded.

Social tariffs

Within the sectors in which Hera is operational, tariff setting is the responsibility of the controlling authorities, which, in certain cases, provide for special reductions for certain classes of customer.

For **gas**, municipalities may decide to include in the tariff an added charge of 1% to the distribution tariffs, and these incomes shall be used by the municipality itself to support customers facing difficulties with regard to gas bill payments. In the areas where Hera S.p.A. operates distribution services, 66 municipalities, corresponding to 68% of residents served, have requested this additional charge.

For the supply of **electricity**, the “social bonus” is an instrument introduced by the government (Interministerial Decree of 28 December 2007) for the purpose of supporting families undergoing financial difficulties, guaranteeing savings on their yearly electricity expenses. The bonus is also provided for persons with serious illnesses which require the use of electronic medical devices which are crucial for keeping the patient alive. According to the provisions set down by the government, the social bonus may be granted to all residential customers (irrespective of whether they are part of the free market or the market with higher protection), with a supply contract for electricity at their residence with capacity power of up to 3 kW, who have ISEE income lower or equal to Euro 7,500.

For the **water service**, the tariffs set by the Water and Waste Regulatory Authorities of Bologna, Modena, Pesaro-Urbino, Ravenna and Rimini envisage a tariff for “domestic use by large families” with reductions for families with more than six members (and with more than 3 members for the Modena Water and Waste Regulatory Authorities).. During 2008 the Bologna Water and Waste Regulatory Authorities conducted an experiment in several municipalities in the province (6 in the Bologna area and 3 in the

Imola area), introducing a residential tariff based on the number of members of the household in order to promote water savings and, at the same time, meet the needs of large families. The Water and Waste Regulatory Authorities of Modena, Bologna Ferrara and Rimini also provided incentives for disadvantaged families with ISEE income lower than the threshold set forth by the various municipalities.

For **waste management services**, in the municipalities under the TIA regime managed by Hera, specific agreements and dedicated projects were defined to attribute reductions/exemptions in the bills for users with financial difficulties (families receiving aid). Specifically, we highlight the total or partial exemption from payment of the TIA for families undergoing serious social/assistance difficulties through projects which are managed in agreement with the area municipalities which assess the income of resident families based in ISEE indicators and subsequently establish in which cases action should be taken.

Service quality

Electrical energy and gas

Regulation of quality divides the standards to be met into “general” and “specific”. Failure to meet the latter due to causes attributable to Hera requires the payment of indemnities to customers, which may vary depending on the type of supply (low or medium voltage for electricity, the category of meter for gas), the delay in executing the supply and the times required for compensation. The automatic compensation varies from Euro 30 to Euro 120 based on the type of supply, and can double or triple based on the delay in the provision of service or the fulfilment times.

Among the specific quality standards for the distribution service, we note the time limits for executing simple works, activating supply, and the failure to comply with the punctuality bracket for personalised scheduled appointments.

Water and waste management

In the management of the integrated water services and the municipal waste management services, for which there are no national laws prescribing quality standards (with the exception of a minimum standard of availability of branches for the general public and technical water quality standards), the protection of quality is entrusted to Water and Waste Management Services that operate on the basis of criteria and parameters that are disseminated through the operator's Services Charter. The Emilia-Romagna Region Law no. 25/1999 assigned to the Water and Waste Regulatory Authorities the responsibility for providing “Services Charter Frameworks” based on a framework developed by the specific local regulatory authority. The Emilia-Romagna Regional Law no.10/2008 sets forth the reform and organisational restructuring of the Waste and Water Regulatory Authorities starting from 2009, and assigns the task of defining a unified charter at regional level to the Regional Regulators. This process has been launched and a draft of the unified Services Charter is being currently being studied by the institutional contacts and operators.

At end 2008 the Water Services Charters were approved for the Water and Waste Regulatory Authorities of Bologna, Ferrara, Forli-Cesena, Ravenna and Rimini, while the Water and Waste Regulatory Authority of Modena was assessing the proposed

Services Charter defined by Hera. The approved Services Charters were circulated through booklets available at branches, on the website, and notices in bills regarding the availability of the Charters at the branches or on the web. The approved Services Charters were also presented and illustrated to consumer associations.

In 2008 the monitoring of the quality standards for the approved charters was launched, as well as the related automatic settlement of compensation to customers whose services were provided outside of the standard time limits (in line with the provisions of the AEEG), due to causes attributable to Hera, in addition to the payment of compensation upon requests from individual customers when automatic compensation is not foreseen. The specific quality standards providing automatic compensation include the estimation regarding simple works for water services, activation of supply and reactivation in the event of late payment. The automatic compensation varies from Euro 26 to Euro 32 in the various areas, and can increase by up to five times due to delays in the fulfilment times.

The waste management Services Charter has only been approved by the Water and Waste Regulatory Authorities of Ferrara.

District heating service

In 2008 the monitoring and payment of automatic compensation to customers was initiated also in relation to the district heating Services Charter approved in 2007. The system provides for variable automatic compensation from Euro 30 to Euro 120 based on the type of supply, due to failure to comply with standards, for causes attributable to Hera, such as estimation for the execution of simple works, the activation and reactivation of supply in the event of suspension due to late payment. The compensation may be increased by up to five times due to delays in fulfilment times.

Compliance with specific quality standards

%	2006	2007	2008	Number of services provided (2008)
Gas	94.2%	94.7%	96.0%	95,150
Electricity	96.2%	95.1%	95.4%	20,551
Integrated water service	-	-	95.6%	44,340
District Heating	-	-	99.7%	1,010
Total average	94.6%	94.8%	95.8%	161,051

Data do not include Marche Multiservizi.

The table shows the percentage of compliance with standards calculated as the portion of services that conform to the standards (or those which do not conform due to causes not attributable to the company) out of the total services rendered.

For gas and electricity, reference is made to the specific commercial quality standards set forth in AEEG resolutions in force for 2008, for both the part falling under the distributor's responsibility and that under the seller's responsibility. For the integrated water service and district heating service, reference is made to the standards set forth in the Services Charters in force during 2008.

Quality of drinking water

The controls on the quality of the water used in the production of water for drinking and human consumption are governed by Legislative Decree no. 152/2006 and Legislative Decree n.31/2001, respectively.

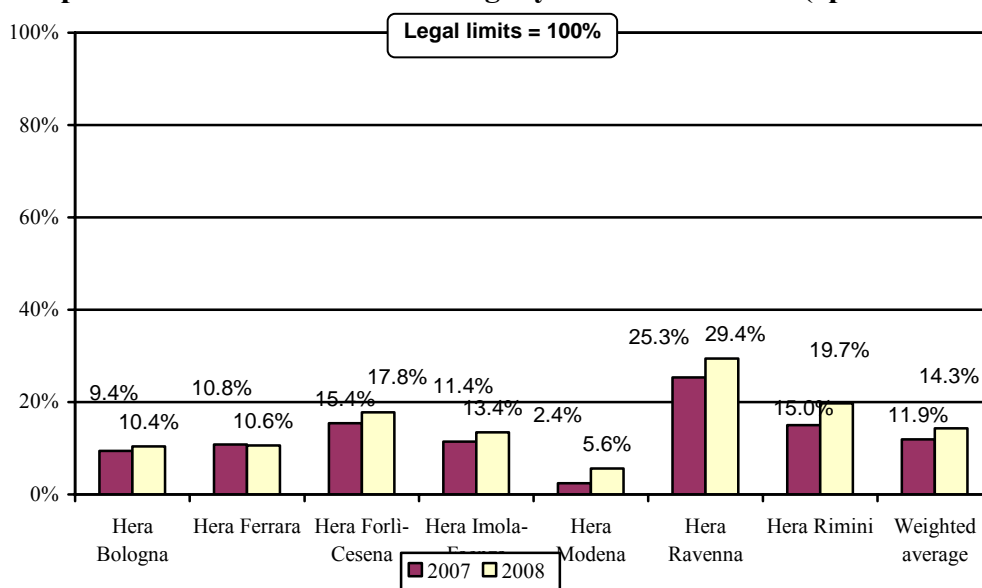
The controls are carried out by the service manager and the AUSL (Local Health Authorities) at the withdraw points for supply water, at the purification and accumulation plants and along the adduction and distribution grids.

Hera has developed a Group Control Plan which describes the sampling points and the control methods applied (analytic parameters and frequencies). The Control Plan has been developed along common guidelines for all Territorial Operative Companies in order to guarantee the supply of a product with excellent qualities, in terms of the chemical, physical and bacteriological characteristics of the water, for the purpose of full compliance with the mandatory legal requirements. Controls and verification of suitability as the water is drawn from the supply source enables timely intervention and, where required, interruption of withdrawal when the chemical and physical characteristics do not comply with the desired quality requisites.

Water quality also means controlling the effectiveness of the treatment process. For example, chlorides and trihalomethanes are searched for, which result, respectively, from the use of chlorine dioxide and sodium hypochlorite as disinfectants. The concentration of chloride and trihalomethanes in the distribution network is constantly kept under control within the compulsory limits.

As from 2008, the average data recorded for the pH, total hardness, dry solids at 180°, chloride, fluoride, sodium, nitrate ion, nitrite and ammonium are made public every six months via publication on the Group's web site, in an uniform format for all Group companies. These parameters show the quality of the drinking water in each municipality served and can be compared to the quality of the bottled water available for sale.

Compliance of treated water with legally established limits (optimal value <100%)



In the chart, the quality of Hera drinking water is compared with the legal limits. The relation between the measured concentrations of three analytic parameters (chlorites, trihalomethanes and escherichia coli) and the maximum permitted concentrations of these parameters in the drinking water supplied, resulting from the 3,034 analyses carried out, was calculated. These parameters were added to others that are considered more critical at the local level (the additional testing carried out in 2008 involved: trichloroethylene and perchloroethylene in Bologna, total antiparasites in Ferrara, aluminium and iron in Forli-Cesena, aluminium, iron, trichloroethylene and perchloroethylene in Imola-Faenza). On average, the concentration of these parameters is lower than the limits set by the law by 85%.

Hera Ravenna and Hera Rimini show slightly lower water quality and a trend which is more significantly worsening compared to the rest of the Territorial Operative Companies as a result of the presence of chlorination by-products.

With Hera₂O, in and outside of work, tap water is the order of the day

In April 2008 Hera launched the Hera₂O project, for the purpose of promoting the drinking of tap water by employees. In partnership with Adriatica Acque (an investee company of the Group), 6 tap water dispensers were installed in the 5 company



canteens and over 65 dispensers in the offices, meeting rooms and customer service branches. The dispensers do not purify the water in any way, but offer chilled normal or sparkling tap water, without modifying the water's properties in any way. Hera₂O reduces the production and disposal of plastic bottles and the emissions of the means used to transport bottled water.

This project, which has the ambitious goal of changing the individual habits and behaviour of workers primarily, but also of customers, was supported by an informational campaign which included the creation of a logo, posters and flyers about the quality of the water in the areas served by Hera, napkins for the canteens showing data on the quality of tap water, coasters for meeting rooms, carafes with the Hera₂O logo, articles in the House Organ, and news reports on the company TV and internal portal.

In July 2008 Hera distributed Hera₂O water bottles and informational materials to 4,500 customers and the over 6,000 employees of the Group, free of charge.

This campaign was also present at various advertising events in the local areas. In the first 9 months of the project, 40,000 fewer bottles of bottled mineral water were consumed: this is a sign that the employees agree with this initiative and have accepted responsibility relating its value in terms of sustainability.

Considering several significant parameters in terms of assessing water quality (aluminium, cadmium, chlorites, escherichia coli, iron, manganese, nitrates, lead and trihalomethanes-total), in 2008 a total of 44,686 analyses were performed. Of these analyses (over 100 per day), 99.3% had results which were compliant with the legal limits. In cases where even one parameter falls within non-compliant levels, Hera immediately carries out interventions to return to compliant levels (washing of pipes, increasing disinfection, etc.) also based on the indications of the Local Health Authorities.

During 2008, there were no departures from the limits set forth in Legislative Decree 31/2001 and no ordinances referring to unsuitable drinking water were issued by mayors.

Quality parameter comparison between Hera water and commercially available mineral water products

	Mineral waters (min-max)	Legal limits L.D. 31/2001	Hera Bologna	Hera Ferrara	Hera Forlì-Cesena	Hera Imola-Faenza	Hera Modena	Hera Ravenna	Hera Rimini
pH	5.8-8.1	6.5-9.5	7.7	7.6	7.7	7.5	7.6	7.9	7.6
Hardness (°F)	3-93	15-50*	30	19	26	31	35	20	27
Fixed solids at 180° (mg/l)	38-988	1,500	399	273	370	435	560	313	354
Sodium (mg/l)	1-62	200	23	16	26	32	55	20	35
Fluorides (mg/l)	0-0.56	1.5	< 0.10	0.09	0.16	0.11	< 0.10	0.10	0.11
Nitrates (mg/l)	0-7.12	50	7	8	6	12	20	4	7
Chlorides (mg/l)	0-92	250	29	26	27	38	81	31	32

* Recommended values

Comparison effected with the data provided for 28 commercially available still mineral waters, published by the magazine, Altroconsumo (issue no. 184 July/August 2005). For pH and fluorides, the data indicated on the labels of nine mass market distributed mineral waters were used. The data regarding Hera water refer to the average values of 6,035 analyses carried out according to the frequency and withdrawal points on the distribution network set forth in the control and monitoring plan for the water system.

It is common opinion that the quality of tap water is lower than the quality of bottled water. Here below the comparison between Hera water, legal limits and mineral water is set forth. For increased homogeneity and ease of comparison with the labels of commercial mineral waters, the parameters pH and fluorides have been introduced. The values regarding Hera water always fall well within the legal limits.

In terms of almost all parameters considered, the average values for Hera water are comparable with those of commercial mineral waters. The only exception is nitrates, whose average values are, in any case, 60% to 92% below legal limits.

The value **pH** is a measure of the acidity of a solution. It is a figure that establishes whether a substance is acidic, neutral or basic, according to the level of concentration of hydrogen ions. It is measured on a scale from 0 to 14, where 7 indicates a neutral substance. pH values less than 7 indicate that a substance is acidic, and pH values greater than 7 indicate that the substance is basic.

Hardness indicates the quantity of calcium and magnesium salts in the water. This parameter is expressed in French degrees (°F). One degree is equivalent to 10 mg of calcium carbonate per litre of water. Hardness only affects the taste of the water. It has no adverse health effects. Some commercially available mineral waters are harder than Hera water.

Fixed solids are obtained by evaporating a litre of water at a temperature of 180°C. This parameter indicates the mineral salts content (sodium, potassium, calcium, magnesium etc.) dissolved in water, expressed in mg/l. The higher the fixed solids value, the higher the concentration of mineral salts. Values below 500 mg/l indicate low-mineralised water. In practically all instances, Hera water is comparable with low-mineralised water.

Sodium indicates the quality of common salt in the water. Here too, the findings tell us Hera water is comparable with commercially available mineral waters. The sodium

content in the water is, in general, insignificant. For example, drinking a litre of tap water is equivalent to eating slightly more than half a cracker.

Fluorides indicate the quantity of fluorine in the water. Hera water is comparable in this regard with commercially available mineral waters.

Nitrates are considered toxic. Nitrates are substances that reach aquifers through the soil either as a result of fertilisation (with chemical or natural fertilizers) carried out systematically and intensively on farmed land, or as a result of industrial activities.

Chlorides are salts which are important to the human body. If present in high concentrations, they can change the taste of the water, and if associated with an acidic pH, they favour the corrosion of metals in the water service network.

How much does water cost?

Consumption of mineral water is increasing greatly worldwide, and Italy is the highest consumer per capita, with 194 litres of mineral water consumed per year in 2006 (Source "*Un paese in bottiglia*" (A country in the bottle) Legambiente 2008).

Considering an average yearly consumption level of 1,000 litres for a family of three, and an average price in Italy of 25 cents per litre for certain commercially distributed natural mineral waters, yearly expenditure for mineral water totals approx. Euro 250. By contrast, yearly expenditure for the same quantity of mains water comes to only Euro 1.43.

The use of asbestos, a common practice in construction in other industrial sectors up to the end of the 1980's, was definitively banned in 1992. It has been officially recognised that the inhalation of asbestos fibres causes serious respiratory illnesses.

The current law in force regarding the quality of water destined for human consumption does not set limits regarding the presence of asbestos fibres: in particular, the ministerial decree of 14 May 1993, annex 3, cites a WHO (World Health Organization) document which states that "... There is no serious evidence that the ingestion of asbestos is hazardous to health." However, the considerable concern over this issue has led Hera to carry out constant checks on the state of the pipes and to implement a plan of controls to test for asbestos fibres in the water. The results of these assessments, which were carried out in 2008, generally demonstrate the absence of fibres.

Service security

Continuity of the electricity service

The system of electricity transmission and distribution grids managed by the Hera Group serves a total of 24 municipalities within the provinces of Bologna, Modena and Ravenna. Within this area, in 2008, the Hera grids transmitted and distributed approximately 2,263 GWh of electricity to a total of 254,756 customers. Of these, the number of only residential users amounts to 193,816, with electricity consumption that reached 456 GWh.

The length of the electricity distribution grids managed by Hera amounts to 9,528 kilometres, 73% of which in low voltage, 27% in medium voltage, and 27 kilometres in high voltage. The losses recorded in the distribution grid stood at approximately 4% and no accidents involving citizens occurred in relation to the electricity grids.

The integrated provisions of the Electricity and Gas Authority (AEEG) regarding the service quality of distribution, measurement and sales of electrical energy for the regulatory period 2008-2011, approved with resolution no. 333 of 2007 governs, among other things, the continuity of the distribution of electricity, identifying indicators for measuring outages, monitoring systems and standards of reference.

The integrated provisions define two indicators: the total annual duration of short and long outages without advance notice for low voltage customers due to causes under the responsibility of the operator.

For these indicators, objective and trend-based levels have been set for each local area served by Hera.

Continuity of the electricity service

	2006	2007	2008
Average number of outages per customer (high concentration)	1.48	1.30	0.86
Duration of outages (minutes) per customer (high concentration)	21.09	16.14	11.49
Average number of outages per customer (mean concentration)	1,35	1,86	3,04
Duration of outages (minutes) per customer (mean concentration)	17,41	19,37	44,18
Average number of outages per customer (low concentration)	3,62	5,09	6,08
Duration of outages (minutes) per customer (low concentration)	40,10	58,66	71,41

The figures in the table refer to outages for low voltage service, without advance notice, of duration longer than 3 minutes (only as regards the no. of minutes of the outage), and due to causes under the responsibility of the operator. 2006 and 2007 data were adjusted according to AEEG resolution n. 333/2007.

In 2008, the indicators of continuity of the electricity service improved for high concentration geographical areas, while in areas with medium and low concentrations the indicators worsened, mainly due to intense weather phenomena which involved the province of Modena from the end of October through November.

In order to contain the levels of the benchmark indicators in the Imola area, Hera continued the automation and remote monitoring of the actuators of some electricity substations as well as the substitution of the spark gaps with non-linear resistor type arresters in medium voltage overground lines. In the Modena area, substitution of the Remote Monitoring System of the electricity grids is underway. Halfway through the year, this system allowed Hera to taken on the supervision, remote monitoring and remote management of the grids and plants acquired from Enel. The transfer of the original grids and plants of Modena to the new Remote Monitoring System was also initiated. This new system will make it possible to increase the number of plants managed remotely, and thus, reduce the duration of outages.

A study by Civicum – Mediobanca, published in 2009, compares the performance of the companies controlled by the main Italian municipalities. In 2007, Hera ranked in first place out of the six companies examined in terms of electricity outages (minutes of outages without advance notice in areas with high concentration of customers).

Petersen coils against electricity outages

In its Modena medium voltage grids, Hera has installed two pairs of Petersen coils, equipment capable of guaranteeing greater continuity in the distribution of electricity. These devices allow for minimising the effects of temporary faults, mainly due to

atmospheric agents, extending the preservation of the plants and reducing the impact on users. This involves a total investment of approximately Euro 600 thousand, which will allow Hera to further increase the technical quality of the service provided to the customers.

Replacement of electricity metres

The single-phase electricity metre is an advantageous device which, in addition to measuring consumption of electricity, can be remotely read and managed. Remote management provides a simpler and transparent relationship between the customer and Hera, as Hera is capable of remotely implementing contractual modifications, activations and terminations. The metres installed by Hera in the areas in which it operates use the latest technologies available, which means they are easy to install in the pre-existing slots occupied by the old mechanical metres. In 2008 Hera replaced approximately 28,000 mechanical metres, which are added to the approximately 70,000 former Enel metres, bringing the base of electronic metres to 40% of the total.

Gas distribution service safety and continuity

The integrated provisions of the Electricity and Gas Authority regarding the service quality of distribution, measurement and sales of gas, approved with resolution no.64/2004, set out specific obligations and indicators for service safety, which distributors must respect. This resolution, among other things, sets a mandatory percentage rate of emergency call response times which has been set at 60 minutes.

Gas emergency services

	2006	2007	2008
Average call response time (min.)	36.0	33.0	31.9
Calls with arrival time at the call location within 60 minutes (%) (service obligation 90%, general level 95%)	96.3%	96.8%	96.5%

Data do not include Marche Multiservizi.

In 2008, for 96.5% of the calls received, Hera intervened within 60 minutes, compared to the minimum service obligation required by AEEG of 90% and a general level of 95%. The amount of the network inspected increased in 2008, and is much higher than the minimum standard required: 71.9% for the high and medium pressure network, and 63.5% for the low pressure network, against minimum standards defined by the AEEG of 30% for high and medium pressure and 20% for low pressure, respectively.

In 2008 there were 106 leaks on the distribution network located upon notification by third parties, per thousand kilometres of network. In a study by Civicum-Mediobanca, published in 2009, out of the eight companies considered, Hera had the third-lowest rate of leaks notified by third parties (0.10 leaks per kilometre of network in 2006, compared to an average of 0.21), and was in first place in terms of emergency call response times.

Inspections and leaks in the gas network

	2006	2007	2008
Percentage of total high and medium pressure network inspected (min. standard 30%. Benchmark level 90%)	35.4%	57.2%	71.8%
Percentage of total low pressure network inspected (min. standard 20%. Benchmark level 70%)	36.1%	54.5%	63.7%
Number of leaks on distribution network located upon inspection per kilometre of network	0.052	0.068	0.071
Number of leaks on distribution network located upon notification by third parties, per kilometre of network (min. standard 0.8, benchmark 0.1)	0.082	0.105	0.082

Data do not include Marche Multiservizi.

Hera manages the gas distribution service with the unswerving objective of ensuring high safety and service continuity levels,

In addition to the usual activities of recognition and technological upgrading of the grids and installation, in adherence also to applicable provisions issued by the AEEG, the following activities took place in 2008:

- grid inspections for gas leaks were increased, significantly over and above the requirements of the AEEG.
- the Group's single remote control unit for fluids was launched, located in Forlì, which will also serve as an emergency services call centre (operational for the areas of Forlì-Cesena and Ravenna);
- the systematic identification continued within Hera's entire operational territory of the areas that are critical on account of hydrogeological and seismic problems (to be completed within 2009).

In 2009, we expect to increase the number of inspections on the network and to extend the single remote control unit for fluids to the Rimini and Bologna areas.

Costs and investments for the safety of the gas service

Euro per km of grid	2006	2007	2008
Costs	403	443	461
Investments	539	752	1,286

Data do not include Marche Multiservizi.

Investments for safety mainly take the form of extraordinary maintenance of plants and networks: in 2008, Hera invested over Euro 16.9 million for this purpose (+83%), equal to Euro 1,298 per kilometre of the grid managed.

Actions regarding accident prevention (search for leaks, periodic assessment of the efficiency of plants and networks, cathodic protection), for ordinary maintenance and emergency intervention in case of notifications of gas leaks led to costs which reached Euro 6 million (+11%) in 2008, equal to Euro 461 per kilometre of network.

Safety intervention plan for Hera Bologna: status

In 2008, several of the main interventions set forth in the 2008-2012 plan for renovation and upgrading of the mountain gas distribution system were concretely achieved. The transfer of the gas pipeline which supplies the Valle dell'Idice from the residential centre of S. Benedetto del Querceto has been completed and brought on stream. In addition, the regime of operating pressure was reduced in a vast mountain area which covers the municipalities of Pianoro, Loiano, Monzuno, Monghidoro, Castiglione dei

Pepoli, and Firenzuola, as well as a vast area of the municipality of San Benedetto Val di Sambro. The planning of interventions to be made on critical areas of the network was completed. These areas were identified by combining information on the hydrogeological stability of the sites, the presence of urban centres and the location of medium pressure networks. In order to monitor gravitational phenomena and their interference with the gas pipelines, a plan is being implemented for the installation of inclinometers and devices to measure tension on the networks. Over Euro 6 million has been invested since the launch of the plan.

During 2008 Hera Bologna actively participated in the local roundtable created to define the guidelines for managing gas risk within the regional, province and municipal Civil Defence organisation, contributing to the structuring and issue of the document presented during the session of the Metropolitan Conference of the Province of Bologna on 9 March 2009.

Moreover, within the scope of agreements reached with the Messina family, Hera Bologna created a scholarship and research fund for the prevention of accidents due to gas risk. The fund will have total liquidity of Euro 35 thousand, and for the first three years of validity, it will be used to finance the Simone Messina scholarship, which will award Euro 5 thousand to the best degree theses at the Bologna School of Engineering on issues linked to security and technological innovation in the gas distribution sector. The remaining amounts of the fund will be used, over the following four years, for study/research, whose methods will be decided in agreement between the company, the Messina family and the University of Bologna.

Hera Bologna the Provincial Command of the Fire Brigade, in view of the imminent signing of a memorandum of understanding, agreed on joint lines and actions for their operators to reciprocally exchange techniques, organisational knowledge and intervention methods in the event of breakage of gas pipelines.

With regard to the explosion caused by a gas leak from an underground third series pipe laid in the roadway, which occurred on 23 December 2006, in San Benedetto del Quercento, a village in Appennines near Bologna, which resulted in a building collapse and the death of five people, the preliminary investigation phase is now concluding. Possible indictments are expected in 2009.

The claims for damages following the event have already been dealt with, both for material damages as well as death and injury.

Safety downstream of the meter

Resolution 40/04 of the AEEG sets out procedures for inspections of the security of gas plants which fuel boilers for heating, water heaters, stove tops and other devices. The figures for thermal year 2007-2008 confirm the significant results achieved by Hera: positive results were obtained from the inspections of over 18,300 user plants, hence, the existence, completeness and correctness of all documentation required by law was verified.

On activating gas supply, Hera carries out another check which is fundamental for safety: inspection of the effective hold of the post-metre system. Before activating the gas supply (opening the metre) the operators verify the effective integrity of the end customer's gas system and the supply is activated only in the absence of leaks.

Similarly, also in case of a fault downstream of the metre, when the Hera emergency services locate a gas leak in the plant of an end customer, it suspends supply. The

supply is reactivated only upon receipt of a declaration which certifies the intervention of a qualified installer and lack of leaks.

It is also worth noting that each domestic end customer is automatically provided with insurance coverage for accidents, including those suffered by cohabitating family members and employees, fire and third-party liability for damages deriving from the use of the gas provided through the distribution grid.

Continuity of the integrated water services

	2006	2007	2008
Percentage of network subject to active search for losses	13.2%	14.9%	16.0%
Number of breaks in water system pipes and tanks per km of network	1.29	1.36	1.18

Data do not include Marche Multiservizi.

In 2008, the percentage of the water system subject to active search for losses increased, specifically as regards the Modena and Ravenna areas. On the whole, over 4,000 kilometres of network were inspected, comprising 16% of the total water network.

Information security

As each year, also in 2008 the risk assessment regarding information security was updated, and the interventions required to contain this risk to acceptable levels were implemented. Among the interventions, we highlight: the logical separation of the communications networks and the protection of mobile workstations, using cryptography and strong authentication.

Customer relations

In 2008, the Hera Group continued the policy of building up the channels through which customers can contact the company so as to render contact simpler and quicker.

Hera has 5 different contact channels: the call centre for residential customers, the call centre for business customers, branches, the internet and mail.

Hera Imola-Faenza meets with consumer associations and pensioners' union

In 2008, the round table of Hera Imola-Faenza, consumers associations and union of pensioners from CGIL, CISL and UIL, upon proposal by the associations, set about creating an explanatory booklet of all the individual components of the gas and electricity bill, as these items are often unknown. Once this short guide is completed, it will be made available to all citizens.

Hera confirms its widespread presence throughout the area: the company has 85 branches located throughout the areas served, including 10 with more than 10 windows and 12 with a number of windows varying from two to four. The remaining branches have only one window and are located in the smaller municipalities. Following the project for standardising the opening hours of main branches, in 2008 12 branches had standardised opening hours set at 33 hours per week from Monday (8:00 a.m.- 3:00

p.m.) to Friday (8:00 a.m. – 1:00 p.m.). In 2008, Hera had 47 branches located on third party premises.

As regards the web, in 2008, implementing the requests received from customers over the years, the Group implemented its new on-line services – the HER@ ON-LINE channel. The main new features concern:

- the calendar for customer self-metre reading, which indicates the periods in which to read the metres to notify the company for the purpose of invoicing in line with real consumption;
- the possibility of subscribing to offers for gas and electricity supply on the free market;
- the possibility of bank domiciliation of bills;
- the convenient possibility of paying bills online via credit card in the event said bills are not domiciled with the bank or post office;
- the ability to request that bills be sent in electronic format instead of via ordinary post.

Another important new feature involves automatic access to the site based on user profiles dedicated to each type of customer: Households, small-medium enterprises, companies, condominium managers and public administration.

HER@ ON-LINE offers customers the possibility to manage their supply contracts with the Hera Group as well as those of their family members or those in the same condominium under a single manager, and view, among other things, their bills and requests they have sent to Hera.

HER@ ON-LINE channel: customer service 24/7

In September 2008 the HER@ ON-LINE channel was launched, updated with many new services, and always operational 24 hours a day. Using this service from their own PCs, customer can carry out all the main transactions that can be performed at traditional branches. At the end of 2008, 43,000 people were signed up for HER@ ON-LINE, compared to 27,000 in December 2007 and 8,000 in December 2006.

The electronic billing was a great success, in substitution of the paper-based bill sent by ordinary post: 1,530 requests for electronic billing were made only in July (the month in which the service was activated), to reach a total of 7,200 requests by the end of December 2008. Electronic billing also provides environmental advantages: it is calculated that the 7,200 customers who requested an electronic bill contributed to reducing greenhouse gas emissions by 3 tonnes per year, corresponding to that absorbed by 400 trees in one year. If 5% of customers adhered to this service, the CO₂ emissions avoided would amount to 21 tonnes per year, corresponding to that absorbed by 6,000 trees in one year.

In 2008 Hera demonstrated its proximity to customers also by intense monitoring of the territory via the Hera camper. This initiative not only allowed Hera to conclude a significant number of energy contracts, but made it easier for customers to carry out transactions which otherwise would have had to be performed at traditional branches.

Call centre quality

	2006	2007	2008
Average waiting times at the call centre for residential customers (sec.)	34.5	46.2	66.1
Calls with satisfactory outcomes for residential customers (%)	94.1%	94.2%	93.2%
Average waiting times at the call centre for business customers (sec.)	43.9	26.8	42.4
Calls with satisfactory outcomes for business customers (%)	89.0%	97.6%	95.5%

The average waiting time based on a telephone call by a customer that wishes to speak to an operator is the time between the moment the request is made for conversation with an operator and the beginning of the conversation. It does not take into account the initial information provided by the answerphone. Data do not include Marche Multiservizi.

In the first half of 2008 there was a significant inflow of calls which resulted in an increase in waiting times as compared to 2007. This result can be partially attributed to the commitment in terms of training the answering personnel, which allowed for the achievement of important results in terms of the ability to solve customers' problems. In fact, according to the customer satisfaction survey performed by Hera in November 2008, the indicator regarding problem-solving abilities increased by 6 points in 2008 compared to 2007.

Moreover, in the second half of the year, the average waiting times and the percentage of calls answered improved on 2007 for the mass market channel, and were in line with 2007 for the business channel.

In 2009 the single Freefone number will also be extended to customers in the Sassuolo (MO) area. Specific attention will also be paid to customer satisfaction. In addition to continuing training for operators (technical and position-specific), the frequency of periodic customer satisfaction surveys will be increased, carried out on samples of customers which, with their consent, will be contacted several days after the time the used the service.

Surveys on utilities call centres: Excellent results for Hera

From 13 October to 16 December 2008, the AEEG's first half-yearly survey on the quality of telephone services was carried out. The interviews, carried out within three days from the customers' calls, covered a group of 30 companies selling electricity and/or gas. For the Hera Group, the CSI indicator, which measures the satisfaction of customers who contacted the call centre, was 4 points higher than the sector average, and 2 points higher than the results of the pilot survey at the end of 2006. The analysis specifically highlighted the clarity of responses provided and the politeness of the operators.

A recent study by Civicum – Mediobanca ranked Hera in first place out of the four companies analysed in terms of call centre waiting times. The average waiting time for Hera is half the waiting time for the second place company.

The customer satisfaction surveys confirm that the average waiting time is the indicator which best summarises the quality perceived by customers in their contacts with branches. The pleasing appearance and rationality of the premises was of equal importance.

Within the project for redesigning the layout of the Group's main branches, following the renovation of the Bologna branch, in 2008 the Forlì and Cesena branches were renovated and inaugurated in November and December, respectively. In 2009, the Imola and Ravenna branches will be renovated. Less significant interventions are also planned

on all Group branches, proportionate to the customer volumes: the objective is to highlight the visual identity of the Hera Group.

Waiting times at branches

(min.)	2006	2007	2008
Hera Bologna	21.5	16.9	16.5
Hera Ferrara	17.8	23.5	20.4
Hera Forlì-Cesena	28.0	18.5	18.1
Hera Imola-Faenza	29.7	18.8	17.1
Hera Modena	22.1	40.6	31.5
Hera Ravenna	21.0	18.4	14.2
Hera Rimini	25.8	16.4	11.5
Arithmetical average	23.7	21.9	18.5

Data do not include Marche Multiservizi.

In 2008, the average waiting times at branches showed an improvement on the previous year. This was possible due to the implementation of a model which, starting from an analysis of accesses, enabled more exact workload planning which resulted in differentiation of queues and modulation of active windows in real time based on the number of waiting customers. This project is named FAST, which is the Italian acronym for Automated Files Save Time.

Following the activation of FAST in the main branches in the first half of the year led to significant decreases in waiting times at branches in all areas: in Modena, average times dropped from over 60 minutes in the first few months of 2008 to 22 minutes in the last quarter, and in Ferrara from 30 to just over 10 minutes, whilst the Group average dropped from 30 minutes at the beginning of the year to around 15 minutes in the last quarter.

The objective for the next few years is to maintain the results achieved in the last quarter of 2008.

Complaints received

	2006	2007	2008
Average complaint response time (days)	16.1	14.1	19.0
Percentage of complaints that were dealt with within 20 days (%)	92.7%	93.1%	82%
Number of complaints received (n)	2,631	3,609	4,136

Data do not include Marche Multiservizi.

The average response times to complaints showed an increase from 14 days in 2007 to 19 days in 2008. The most critical situation occurred in Modena, with a first half of 2008 that was particularly difficult for the entire organisation (branches, correspondence-complaints, back office) due to the extended adjustment phase following the change in the IT systems performed in 2007. Excluding Modena, the value would stand at about 13.9 days, thus, even better than the previous year's value.

This situation was also observed in the percentage of complaints that were dealt with within 20 days, which was limited to 38% of cases for Modena, while in all the other Territorial Operative Companies it exceeds 90%, with areas of excellence (Forlì-Cesena, Rimini and Imola) in which it reaches 100%. The number of complaints received also confirms the pressure that the Modena area was under, as it alone

represented 25% of the total. There was also a sharp increase in complaints in Bologna; nonetheless, the organisation managed to deal with the situation, maintaining sufficient quality levels.

75% of the complaints relate to commercial relations, 17% involve grid and network services (gas, water, district heating, and public lighting) and 8% involve waste management services.

The issue of complaints is one of the main issues that will be focused on in 2009, because of both the specific attention of the AEEG and the Water and Waste Regulatory Authorities and the increased volumes of complaints. A project is underway to optimise the complaint management and reply flows, in order to improve service quality for customers and bring services in line with the new (stricter) standards that the AEEG has set forth to start from July 2009.

In 2009 a project was launched which, in addition to the revision of Group procedures includes:

- the identification of recurring issues and repeated problems in complaints;
- changes in the methods of classifying correspondence and complaints from a management viewpoint, and standardisation of the reporting system;
- training of operators in writing and reply techniques, and on the new complaint management procedure.

A complaint is recorded in the event of written communications to the Group from a customer or citizen or person or association assigned by said person to highlight any discrepancies in relation to the terms set forth in the supply contract and regulations, the Services Charter or applicable legislation.

Confidentiality

Millions of people interact with the Hera Group, and the Hera Group must treat their personal data, for various reasons. Privacy regulations require the guarantee of the highest levels of security in the treatment and protection of the personal data of all stakeholders. The Hera Group has decided, not only for the purpose of complying with these regulations, to invest in the protection of these assets in order to protect the rights of all stakeholders.

The actions taken are transforming a regulatory requirement - the protection of personal data in the company - into a resource. A resource which is particularly focused on guaranteeing relationships of trust between the Hera Group and its stakeholders.

The Guidelines for the Treatment of Personal Data have been improved in order to ensure effectiveness and security in the protection of said data: refining management systems and procedures, continuously monitoring the implementation of the Guidelines and the resulting actions.

The pre-operational versions of the procedures regarding management of the privacy system have been made available on the company internet for the purpose of operational verification and circulation. These procedures are in use by the process owners and shall be formalised along with the new guidelines.

Similarly, specific investments were made in training of all persons in charge of data treatment, or who must take decisions in this regard, not only for the purpose of transmitting technical-professional information, but also to create a real “culture of protection of personal data” within the Group.

In order to provide suitable training, in line with the various organisational levels, seminars and courses were organised for a total of 148 participants. At the same time, a training system comprising e-learning methods was implemented and launched.

In terms of improving relations with users – the data subjects – Hera ensured that “requests for access “ (as per Article 7 of Legislative Decree 196/2003) received via email (at the specific email addresses provided for the public) were fulfilled in an average times which are 50% shorter than the time frames set by the Privacy Authority. A procedure is currently being developed to speed up the fulfilment of requests received through traditional means (post, telephone).

In 2008, the Italian Privacy Authority did not charge Hera with any violations to the Privacy Code.

Disputes with customers

At the close of 2008 there were 45 pending disputes with customers (of which 19 initiated during the year) mainly regarding the application of the tariff regime for the services provided and the recovery of payments due to Hera.

Disputes with customers as at 31 December

	2006	2007	2008
Energy services	15	13	16
Integrated water service	10	18	20
Waste management services	6	11	9
Other services	0	5	0
Total	31	47	45

Data do not include Marche Multiservizi.

A joint solution through mediation

In 2007 Confservizi Emilia-Romagna promoted the signing of an agreement implementing the national protocol for the testing of a joint mediation procedure in the energy and gas sectors. In September 2008 all the parties to the agreement, three companies in the Emilia-Romagna region and twelve regional consumer associations, subscribed the joint mediation regulations linked to this agreement. From 1 February 2009, the testing of the procedure was started, limited to electricity and gas services and to litigation involving residential customers: mediation is an instrument provided to customers which supplements the current methods of prevention of litigation in order to resolve situations where complaint management was not resolved in a satisfactory way, and for which the only remaining path would be legal action. Mediation is free for customers, and shall be carried out within 60 days from receipt of the request for mediation: this procedure is based on the voluntary participation of the parties, in order to resolve disputes through dialogue.

Shareholders

Hera's shareholder structure is unique among Italian utility companies, as it does not have one shareholder with absolute control, instead its shareholder base consists of almost 21,000 private Italian and foreign investors (natural and legal persons active in non-financial activities) and 189 public shareholders (mainly the Municipalities of the Provinces within the local area of reference) and finally 427 professional investors (consisting of legal persons employed in activities of the financial area, such as insurance, banks, trusts, banking foundations, mutual funds, pension funds and hedge funds).

Objectives and performance

We said we would...	We have...
<p>Further improve the on-line financial communications.</p> <ul style="list-style-type: none"> • Develop relations with private investors. • Maintain the momentum of our relations with professional investors. • Develop new relations with ethical funds. 	<ul style="list-style-type: none"> • We have continued the practice of publishing the Financial Statements on the internet on the same day they are approved by the Board of Directors, in a searchable html format that may be downloaded in Excel, in Italian and English, to make the document available in real-time and in an interactive format (see p. 119). • The "Interactive Financial Statements" tool was implemented on the internet site and a tool in the Investor Relations area makes it possible for investors to contact the Investor Relations team (see p. 119). • During 2008, contacts with professional investors increased: 365 contacts recorded (see p. 119). • Hera participated in the third Environmental Forum organised each year in Paris: 30 new ethical investors recognised and appreciated Hera's sustainability profile (see p. 40)
We shall...	
<ul style="list-style-type: none"> • Increase the number of financial analyst that follow Hera's stock to enhance the availability of qualified and independent opinions on Group management. • Continue to improve on-line financial communications. • Maintain the momentum of relations and augment contacts with professional investors, including ethical investors. • Maintain a dialogue with private investors. 	

Breakdown

The breakdown of Hera's shareholder base represents a distinctive point in comparison with other companies in the sector, particularly due to its widespread shareholder base and the lack of single shareholders with absolute control.

This characteristic reflects the unique history of the Group, formed in November 2002 following the merger and integration of 11 multi-utilities in Emilia-Romagna.

Hera has been listed on the Milan Stock Exchange in the Blue Chip segment of the Mercato Telematico Azionario ("MTA") [the electronic equity market] since June 2003, and has continued its development through additional mergers and integrations with other multi-utilities in the surrounding areas, enlarging the geographical perimeter of activities and including more public entities in the shareholder structure (from 155 in 2002 to 189 in 2008).

Hera's share capital grew from 789 million shares in 2002 to 1,033 million ordinary shares on 1 January 2008. On that date, the share capital increased by 16 million shares as a result of the merger and integration of SAT, a multi-utility operating in the Modena province.

Hera's shareholder structure consists of public entities and private and professional investors.

Public agencies are the largest category of investors, with 59.0% of share capital and consist mainly of municipalities in the provinces in which the Group operates.

Nearly all of the public shareholders have signed the so-called "Shareholders' Agreement," which binds them to maintaining equity investments representing 51% of the share capital, as stipulated in the company Articles of Association. The remaining portion of share capital, or 49% (the so-called floating share) is 7.8% held by municipality shareholders and the remainder by a large number of non-public shareholders or professional and private investors.

The number of professional investors that have invested in Hera increased significantly over the last three years. In 2008, Hera's shareholder based consisted of 30.6% of capital from Italian and foreign professional investors, such as insurance companies, banks, banking foundations, pension funds, investment funds primarily from the U.K. and U.S.A. and 10.5% from Italian and foreign private investors.

The majority of private investors and some professional investors with significant shares show a high level of loyalty due to the presence of more than 10,000 citizens-shareholders in the shareholder structure since listing.

On the dividend payment date in 2007, Hera held in portfolio 1.2 million treasury shares totalling 0.01% of the share capital.

Shareholders

(No.)	2006	2007	2008
Municipalities and other Entities	183	183	189
Professional investors	286	368	427
Private investors	26,173	24,888	21,148
Total	26,642	25,439	21,764

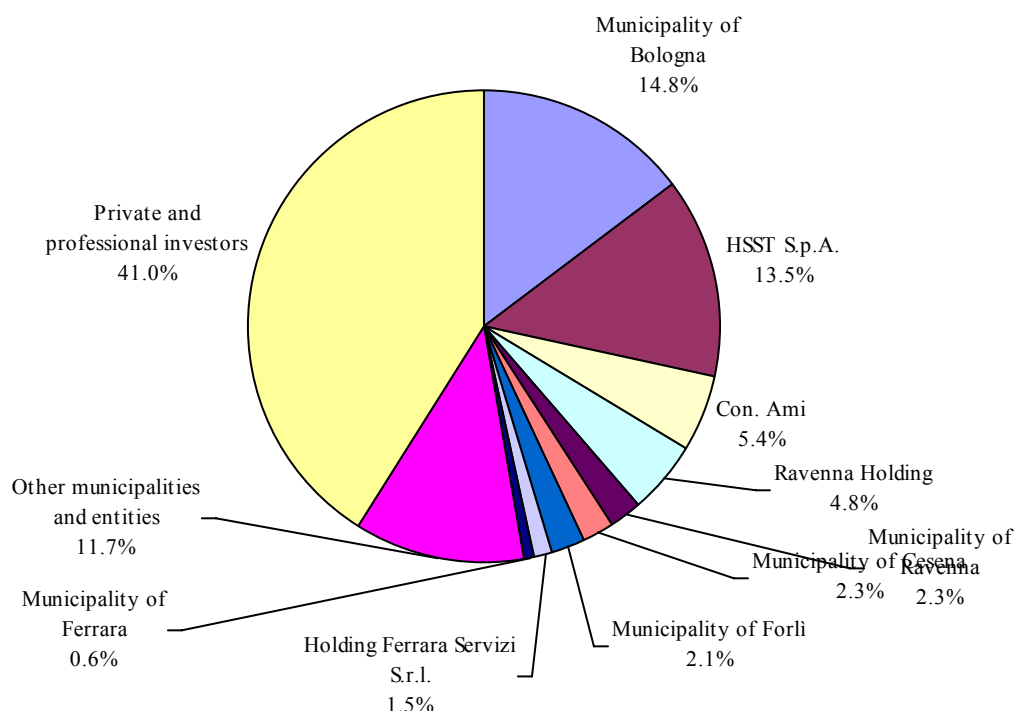
Data refer to dividend registration date. Data source: Hera processing of data from Servizio Titoli S.p.A.

Shares held (breakdown)

%	2006	2007	2008
Municipalities and other Entities	58.4%	58.2%	58.9%
Professional investors	28.5%	32.4%	30.6%
Private investors	13.1%	9.3%	10.5%
Total	100%	100%	100%
Total shares (million)	1,016.8	1,016.4	1,032.7

Data refer to dividend registration date. Data source: Hera processing of data from Servizio Titoli S.p.A.

Shareholder breakdown as at 31 December 2008



*HSST S.p.A. (Holding Strategie e Sviluppo dei Territori modenesi) is comprised of: Comunità montana del Frignano, Unione terre dei Castelli (comprised of the Municipalities of Castelnuovo Rangone, Castelvetro, Savignano sul Panaro, Spilamberto e Vignola), Municipality of Castelfranco Emilia, Frassinoro, Guiglia, Lama Mocogno, Marano sul Panaro, Modena, Montefiorino, Palagano, Pavullo, Polinago, Riolunato, San Cesario sul Panaro, Sestola, Zocca and Acquedotto Dragone Impianti.

CON.AMI is a consortium comprised of the Municipalities of Conselice, Massa Lombarda, Sant'Agata sul Santerno, Medicina, Castel Guelfo di Bologna, Castel San Pietro Terme, Dozza, Imola, Mordano, Solarolo, Bagnara di Romagna, Castel Bolognese, Faenza, Riolo Terme, Brisighella, Casalfiumanese, Borgo Tossignano, Fontanelice, Castel del Rio, Fiorenzuola, Marradi, Palazzuolo sul Senio, Casola Valsenio.

Ravenna Holding is fully owned by the Municipality of Ravenna.

Holding Ferrara Servizi S.r.l. is fully owned by the Municipality of Ferrara.

No. of local resident shareholders (as on date of dividend share-out)

(No.)	2006	2007	2008
Hera Bologna area	5,606	4,658	4,142
Hera Ferrara area	413	430	359
Hera Forli-Cesena area	1,711	1,546	1,480
Hera Imola-Faenza area	914	1,242	1,426
Hera Modena area	1,138	1,321	1,059
Hera Ravenna area	1,574	1,301	1,169
Hera Rimini area	696	621	589
Total of shareholders resident in areas served	12,052	11,119	10,224
Total private shareholders	26,173	24,888	21,148
Total of shareholders resident in areas served	46.0%	44.7%	48.3%

Data refer to dividend registration date. Data source: Hera processing of data from Servizio Titoli S.p.A. The investor classification relative to 2006 was aligned with the criteria of this year.

Corporate Governance and safeguards for shareholders

The Corporate Governance system adopted by Hera since its founding, based on the traditional Board of Directors model, aims to guarantee the protection and growth of shareholder capital and the satisfaction of stakeholders in accordance with the company's Mission.

These objectives are pursued through careful management of assets according to the provisions of the Code of Conduct prepared by Borsa Italiana S.p.A. and the Group's Code of Ethics.

This mission is also pursued through full transparency to shareholders and other stakeholders by providing complete and timely information so that investors may make decisions in light of effective knowledge of the company, its future prospects, business performance and the forecasted levels of profitability with respect to the quantities of capital invested.

Control and dissemination of information to the outside is critical for the Group, therefore the Investor Relations Department and External Relations report directly to the Chairman of the Board of Directors and the Corporate Social Responsibility Department reports to the Managing Directors.

Price-sensitive information is communicated in accordance with criteria established by Consob resolutions and Internal Dealing regulations.

The yearly publication of the calendar of corporate events, such as the approval and publication of financial statements, quarterly and interim reports, industrial plans and significant operations, allows the company to provide information in advance regarding the most important dates for the company. All relevant communications are published in real-time on the Group's internet site, under the Investor Relations section.

Hera Shareholders' Meetings are generally well attended by shareholders; in the last meeting held on 29 April 2008, shareholders representing over 60.3% of the share capital were present, 3.4% represented professional foreign investors.

Distribution of dividends

With consolidated net profit of Euro 110.3 million in 2008 (of which Euro 15.5 million are minority interests), it was resolved to distribute a dividend to shareholders for 2008 of 8 Euro cents per share, which is in line with 2007.

The dividend is highly attractive in consideration of the fact that, while Group income increased due to synergies generated and mergers completed, this was more than offset by the increase in financial interest expense necessary to carry out the ambitious multi-year investment plan (Euro 2.5 billion in the last 6 years, or 20 times the 2008 income), but which has not yet contributed fully to financial results.

Therefore, at the close of 2008, the majority of investments have been completed and during the year three new plants became operational, which will fully contribute to results beginning in 2009.

Distribution of dividends

	2006	2007	2008
Earnings per share (Euro cents)	8.9	9.5	9.2
Dividend per share (Euro cents)	8.0	8.0	8.0
Price/earnings	37.2	32.3	16.2

The price/earnings ratio expresses the relation between the share price as at 31 December divided by Group earnings per share.

Stock exchange share performance

In terms of financial markets, 2008 was the most negative year since 1929, during which the “Great Depression” began.

2008 began with a series of scandals in the financial world (the Sogen case revealed the poor efficiency of risk evaluation and control for financial asset management in the banking system and the failure of Bear Stearns, the American banking institution) which then uncovered the inappropriate use of derivative financial instruments, exposing the international financial system to the real risk of enormous asset losses. Simultaneously, the real economy showed the first signs of a slowdown after a long growth period which then became a true recession in the global economy, involving both Western and Asian markets. The concurrent crises in both the economy and financial markets required the intervention of national governments and supranational institutions to develop support plans in order to curb the negative consequences of the phenomena on the system.

Within this difficult context, investors had a higher perception of risk, causing sudden and arbitrary selling strategies for all financial asset investment instruments, resulting in an exceptional decline in all global markets. The New York Stock Exchange closed the year at -33.5% (DJ Industrial Index), London closed at -31.5% (London FTSE100 Index), and Milan -49% (Mibtel Index).

In this context, Hera's stock was penalised by the performance of the Italian market, closing 2008 with an official price of Euro 1.49, or -51.2% on an annual basis.

The negative market performance seems to have influenced Hera stock, completely offsetting the Group's positive quarterly results (on average +30% in turnover and +17% in EBITDA).

However, Hera's performance was better than many of our competitors of similar size (Iride, Enia and A2A) throughout the year, with a particular increase in October corresponding to an interruption in negotiations with Iride and Enia to analyse the merger of the companies.

In determining the extent to which the stock performance was influenced by the macroeconomic-financial context, it is significant to note that the stock price approached the initial stock price at the time of the listing on Milan Stock Exchange 6 years ago (Euro 1.33 on 26 June 2003) despite the fact that Hera has over the last years tripled its turnover and income, exceeding the industrial plan objectives presented to stockholders prior to listing, and despite the continued growth forecasted in the industrial plan.

Hera's accounting shareholders' equity (Euro 1.6 billion as at 31 December 2008) is higher than the capitalised value of the market at the end of the year (Euro 1.5 billion).

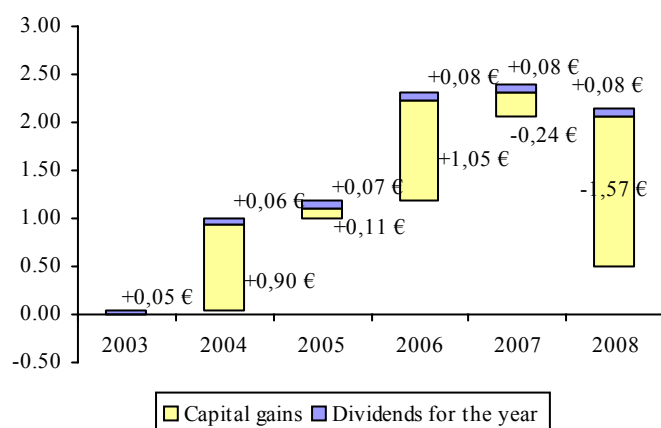
Official share price and average traded quantities in 2008

	Q1	QII	QIII	QIV
Official price at close of period (Euro)	2.557	2.562	1.961	1.490
Average volume traded (thous.)	2,106	3,570	2,010	1,229

The average liquidity level recorded in Hera stock trading increased during the first nine months of the year, driven by the divestment choices of some professional investors, who were forced to sell shares because of the higher perceived risk.

In the last 2 months of the year, the volumes traded were notably lower creating an accentuated volatility of the stock price in line with the performance of all listed stocks. The average value of the daily transactions involving the Hera's stock in 2008 is lower in totally compared to 2007, passing from Euro 6.5 million to over Euro 5.2 million (-21%), predominantly due to the stock's lower value.

Yield of the share compared to the price



The percentages are calculated with reference to the price of the share at listing

The graph illustrates the returns for an investor holding Hera shares from its initial listing through 31 December 2008, including the dividend for 2008 that will be

distributed in 2009. Despite the fact that capital gains in 2008 were particularly negative, the total retrun for the investor remains positive.

What is capital gain?

Capital gain is the difference between the selling or redemption price of a financial instrument (stock, bond, government securities, etc.) and the purchase price of the instrument, or subscription price. If the subscription price is higher than the selling price, it represents a capital loss. Capital gain represents only a part of the total return of an investment, as it does not consider any periodical collections such as dividends or interest (in the case of bonds). Italian tax law provides that capital gains earned by natural person s are subject to a 12.5% tax rate.

Stock exchange indices

Hera's share is listed on the "Dow Jones Stoxx TMI", "TMI Utility", "MSCI Small Cap" indices, and from 25 March 2008, it was included in the "Dow Jones Stoxx 600" index.

Hera continues to be included in the ethical indices "Axia Ethical Index" and the "Kempen SNS Smaller Europe SRI Index."

During 2008, Hera's share was also included in the "ECPI Ethical Index Euro", which consists of 150 listed companies in the EMU market (european Economic and Monetary Union market) which are considered ethical investments under the "ECPI SRI" methodology. This methodology was developed by ECPI, a company that has been researching social, environmental and governance aspects of European companies, assigning ethics ratings and developing, calculating and publishing sustainability indices of the companies since 1997.

Credit ratings

The massive development plan has gone forward over the last years through a careful use of financial indebtedness, while maintaining a solid financial structure due to the positive generation of cash from activities. The Group's financial solidity and profitability earned Hera an A1 rating with a stable outlook for long-term debt from Moody's, while Standard & Poor's gave an A-1 rating for short-term debt and A for long-term debt with negative outlook.

With the objective of improving the financial structure, Hera issued another bond loan in 2008 called "Put-Bond Resettable Step-up" for Euro 200 million, which can be increased to Euro 250 million.

As at 31 December 2008, Hera's financial exposure is entirely covered by shareholders' equity and is equivalent to only 3 times the production of EBITDA.

Additionally, financial indebtedness is almost entirely insured against the risk of interest rate fluctuations, has an average expiration in the long-term (the portion that will expire in the next few years is fully covered by available credit lines for Euro 350 million) and is not encumbered with covenants.

Share coverage

Investor Relations promotes awareness of the Group with Italian and foreign financial analysts to increase the number of opinions on Hera management so that shareholders

have a wide spectrum of professional independent opinions for evaluating Hera's results and can better appreciate their investment in Hera.

Coverage of Hera Group is one of the widest in the sector in Italy, consisting of 15 independent research groups, half of which are international: Banca Akros, Intesa-Sanpaolo, Banca Leonardo, Cazenove, Centrobanca, Cheuvreux, Citigroup, Dresdner, Equita, Exane, Intermonte, Kepler, Mediobanca, Merrill Lynch and Santander. In January 2009, Unicredit began covering Hera stock, further enhancing the coverage.

Hera is viewed positively by the analysts, with 14 "Buy" or "Outperform" ratings, 1 "Neutral" and only 1 "Reduce". The average objective price for the next 12-18 months expressed in the analysts' evaluations is Euro 2.6 per share (a potential increase in Hera's stock price of +75% compared to the market price at the end of the year).

Relations with investors and financial analysts

The relationship between the company and investors is inevitably based on shareholders' trust in company management, given that it is not possible for the shareholders to have access to all information necessary to fully evaluate an investment opportunity. Hera Group places great importance on trust relationships with shareholders, as an appropriate market valuation of the Group increases development prospective and value creation through external growth.

For this reason, the Investor Relations Department was established at the time of listing, specifically dedicated to providing information and assistance to shareholders and financial market operators. This department works to guarantee clarity, transparency, completeness and timeliness in communication of relevant information to investors (price-sensitive information) in accordance with effective regulation regarding relations with the financial community.

The primary communication tool is undoubtedly the Group's internet site, which all stakeholders (private and professional investors, financial analysts, bondholders) can easily access. In 2008, the Group sought to improve on-line financial communications in the Investor Relations area through:

- completely revising the graphics and organisation of relevant published information;
- continuous real-time updating of relevant information
- publishing the 2007 Financial Statements in a searchable html format that can be downloaded into Excel, in Italian and English, on the same day it was approved by the Board of Directors;
- making the Group's quarterly and interim financial reports, together with the 2007 Financial Statements, available in interactive format on the same day they are approved by the Board of Directors (this format allows comparison between historical profit, balance sheet and cost data);
- publishing a quarterly Newsletter dedicated to private investors to illustrate the results achieved by the Group in a summarised and easy-to-read format;
- describing the Group's management strategies and policies in order to understand Hera's future prospects summarised in the industrial plan (updated annually).

In addition to publishing relevant information (in various formats to increase its usability by the various stakeholders), some simple tools for calculating investor yields, comparing historical data in graphical and interactive formats, analysing historical trends of Hera's share price and a vast archive of documents published by the Group since its establishment have been made available.

Finally, the Investor Relations area of the site organises all information into specific sections dedicated to the various stakeholders to make it easier to find and understand relevant information.

In addition to directly assisting with stakeholder requests, Hera proactively promotes meetings each year between the Group's top management and Italian and international financial market operators.

365 contacts were recorded in 2008 (telephone, video conference and meetings) with Italian and foreign investors to present the Group's results to promote transparency and continuity of dialogue with investors.

Hera in 6th place in the Hallvarsson & Halvarsson Webranking

Once again in 2008, Hera was ranked in sixth place (for the second year in a row) in the Hallvarsson & Halvarsson 2008 Webranking, in collaboration with Corriere della Sera for institutional sites, placing Hera among the principal international large cap companies for on-line financial communication.

Financial Institutions

The Group continued with its policy of providing financial institutions with fully transparent and correct information as part of its communication activities with a balanced distribution of debt. Apart from the European Investment Bank, no bank assists the Group in relation to more than 15% of total debt.

Despite current difficulties in financial markets, the Group was able to both contain the marked increase in interest rates in 2008, as well as not suffer from the general reduction in liquidity.

This objective was attained primarily due to certain financial transactions completed before the financial crisis, which maintained a very solid and competitive financial structure and avoided the necessity of turning to the financial markets to refinance expiring debt.

Major loans (breakdown) as at 31 December

%	2006	2007	2008
European Investment Bank	0.0%	31.7%	34.1%
Banca Intesa	19.1%	16.1%	12.9%
Banca OPI	15.9%	12.5%	10.9%
Unicredit	9.8%	9.1%	9.2%
Dexia Crediop	0.1%	8.2%	7.4%
Cassa depositi e prestiti	5.5%	4.5%	4.5%
Banca delle Marche	0.2%	1.9%	3.3%
Banca Popolare di Milano	1.2%	3.3%	3.3%
Other institutions	48.2%	12.7%	14.2%
Total	100.0%	100.0%	100.0%

The company's financial policy objectives continue as stated in prior reports:

- **interest rate risk:** define and apply a hedging strategy for interest rate risk that is precise and coherent with a subsequent total fixed-rate hedge of long-term debt and fully compatible with IAS/IFSR 3;
- **debt quality:** consolidate short-term debt in favour of long-term;
- **credit lines:** obtain ample intervals in credit lines, both uncommitted and committed, in order to guarantee sufficient liquidity to cover each financial obligation for at least the following two years;
- **financial charges:** reduce the cost of money.

The net financial position grew for Euro 1,431.7 million in December 2007 to Euro 1,571.5 million as at 31 December 2008 as a result of the scheduled investment plan. The balanced asset structure of the Group counters the high level of fixed assets for a financial position consisting primarily of medium/long-term debt.

Long-term ratings from Moody's is "A1 Stable" and from Standard & Poor's "A Negative". The Group intends to continue its commitment towards maintaining these outstanding ratings in the future.

Net financial indebtedness

(in millions of €)	2007	2008
Cash on hand	211.0	193.6
Other current loans	10.0	6.8
Current financial indebtedness	-248.9	-208.7
<i>net current financial indebtedness</i>	<i>-27.9</i>	<i>-8.3</i>
Non-current loans	6.6	8.5
Non-current financial indebtedness	-1,410.4	-1,571.7
<i>Net non-current financial indebtedness</i>	<i>-1,403.8</i>	<i>-1,563.2</i>
Total net financial indebtedness	-1,431.7	-1,571.5

During 2008, the following was undertaken:

- **interest rate risk:** all hedging transactions to mitigate interest rate risk are completely correlated with the underlying debt and comply with IAS standards. Long-term securities issued at variable rates were hedged at fixed rates;
- **debt quality:** the following refinancing transaction was carried out during 2008 to maintain the portion of long-term debt at more than 90% of the total at the same average cost of the prior year. A bond loan was issued, defined as “Puttable, Callable, Resettable Bond” organised by the Group together with Banca IMI, BNP Paribas and The Royal Bank of Scotland for Euro 200 million, which can be increased to Euro 250 million, expiring in 2031. For the first 3 years, from 25 September 2008, the bond will not be reimbursable and will be regulated with quarterly coupon at fixed rates of 4.20% annually, equivalent to the 3-month Euribor at the time of issuance less approx. 90 BPS. At the end of the third year, if the loan is not reimbursed at par, the amount of the bond will be increased to Euro 250 million and will pay a fixed rate of 4.65% (equivalent to an interest rate swap at 20 years from the moment of issue reduced by 30 bps), increased by the fixed credit spread with five-year intervals, except for the at-par redemptions on the same dates.

This transaction was conceived internally so as to fully meet the Group’s needs and in the meantime obtain extremely competitive costs without exposing the Company to hazards. In addition, no financial covenants are provided other than not allowing the rating, by even one rating agency, to fall below Investment Grade (BBB-).

As noted, the Group issued two other puttable bond loans in the prior year, for a total of Euro 300 million. None of the various expirations dates of the bond loans issued are concurrent with each other. Finally, the potential implicit risk of refinancing in the event that the put options are not exercised by the financial institutions is not considered a significant risk.

- **credit lines:** credit lines and the related financial assets are not concentrated in any specific financial institution but are evenly distributed among the principal Italian and international banking institutions with a use largely inferior to the total availability;
- **financial charges:** despite the aforementioned marked increase in the spread, Hera has maintained the cost of money at an average global level of 4.3%, well below the market level.

In conclusion, Hera S.p.A has a bond outstanding which totals Euro 500 million and has a fixed rate coupon of 4.125% falling due in February 2016.

The portion of value added allocated to financial institutions in 2008 came to Euro 94.0 million (10.3% of the total, +18% compared to 2007). This share comprises Euro 116.2 million in financial charges, and Euro 22.2 million in financial income.

Suppliers

Hera does not consider the role of suppliers exclusively that of value chain actors. They are also strategic partners for corporate growth.

There are more than 9,500 companies in Hera's pool of suppliers. These suppliers are mainly located in the region served (65%). The group's positive impact on the local economy is therefore enhanced. In 2008, the value of the main supplies requested from social cooperatives and temporary consortium including social cooperatives came to around Euro 30.8 million: 554 persons facing hardships were hired.

Objectives and performance

We said we would...	We have...
<ul style="list-style-type: none"> • Start-up the use in 2008 of the Internet for supplies (e-procurement): handle supplier qualification, on-line purchases and public tenders on-line. • Update the supplier selection manual, including regulations for appointment involving sustainability criteria. • Further extend application of the tender award criteria according to the most economically advantageous bid. • Launch a trial for the procurement of goods and services with "green" requisites by the end of 2008. • Establish guidelines for appointing social cooperatives with services. 	<ul style="list-style-type: none"> • In 2008, the e-procurement platform was put into operation to qualify suppliers and make on-line purchases. Management of public tenders will begin in 2009 (see p. 133). • In 2008, the guidelines for supplier selection consistent with art. 48 of the Code of Ethics were approved (see p. 131). • 89% of the value of the public tenders has been awarded using the most economically advantageous bid method. In 2007, the percentage was 50%. (see p. 131). • Four public tenders were carried out in 2008 in which "green" elements were considered in evaluating the offer (see p. 131). • Supplier selection guidelines include policies regarding outsourcing services to social cooperatives (see p. 125).
We shall...	
<ul style="list-style-type: none"> • Begin using the Internet for supply activities (e-procurement) in managing public tenders in 2009. • Extend application of the tender award criteria according to the most economically advantageous bid, including non-public tenders (below the EU threshold). • Further extend purchasing based on environmental sustainability criteria ("green purchases"). • Based on supplier selection guidelines updated in 2008, define a procedure highlighting reference sustainability criteria by purchase type. • Begin monitoring work accidents at major suppliers. 	

Breakdown

Pool of suppliers

(No.)	2006	2007	2008
Goods	9,337	9,443	5,617
Services	9,886	10,350	6,024
Job orders	1,197	1,297	899
Total	16,170	16,780	9,511
of which suppliers who received at least one order during the year	6,346	6,024	5,806

The table provides a breakdown of suppliers by goods/service class. Because some suppliers belong to more than one class, the total for suppliers by class does not tally with the total for suppliers. Data refer to the Group companies whose suppliers are handled via the SAP computer system: Hera S.p.A., the Territorial Operative Companies, Hera Luce, Famula On Line, Uniflotte, Ecologia Ambiente, FEA, Recupera.

Currently, the pool of group suppliers includes around 9,500 businesses that provide goods (components for maintenance of industrial plants, materials, chemicals, vehicles etc.), services (waste management, information technology consultants, organisation consultants, etc.) and job order work (grid and network maintenance work, industrial plant construction, etc.). A number of suppliers in the pool belong to more than one class.

The data provided here, as with all the data in this section, refer to all Group companies with which the Purchasing and Tender Contracts Department manages supplier relations via the SAP IT system.

In 2008, at least 5,800 suppliers received at least one purchase order. Most fall into the goods and services classes.

Early in the year, before the e-procurement platform and the new supplier portal were operational, a rationalisation of the number of suppliers was carried out, based on verification of qualification status and actual use over the last three years.

The new platform represents a new way to interface with suppliers: after accepting the terms and conditions, the supplier can access a dedicated area to check qualification status, begin new qualification processes, receive invitations to submit offers, submit offers, participate in public qualification systems or participate in public tenders.

“Sustainable” cooperation

There have been highly positive results in the cooperation between Hera Forlì-Cesena and the temporary consortium consisting of Consorzio Sociale Formula Ambiente and Ciclat Trasporti, with a total of 9 social cooperatives involved, for environmental services (collection and transportation of municipal solid and assimilated waste, separate waste collection, bin and drum cleaning, manual and mechanical street sweeping and accessory services). The 117 new employees at the end of 2008 are an important response to the objective of the social programme presented by the temporary consortium: maintaining employment in environmental services for differently-abled persons. The social programme includes an annual report to monitor employment in the 9 social cooperatives divided by environmental activities: the *Operational Monitor of Hiring* is the first in the environmental sector, and utilises common measurement tools for the 9 social cooperatives involved.

Supplies from social cooperatives

	2006	2007	2008
Social cooperatives (number)	38	43	37
Value of supplied goods/serv. (in thousands of €)	18,491	22,982	30,787
Persons facing hardship hired (number)	461	590	554

Among the persons facing hardship hired, workers employed for less than one year were also counted. Includes temporary consortium including social cooperatives. Data relating to Hera S.p.A. and the Territorial Operative Companies.

Social sustainability is firmly placed among the Hera Group's aims and in this sense the company has decided to contribute in real terms to the social cohesion, by means of a Memorandum of Understanding with the representatives of the social cooperatives (Legacoop and Confcooperative), signed in November 2004.

On the basis of this memorandum, Hera must:

- promote stipulation of special agreements with consortia of social cooperatives for direct contracts regarding direct assignment of environmental services of amounts below the EU threshold;
- produce a set of uniform regulatory and organisational conditions regarding the duties assigned to Hera;
- include, in public invitations for tenders for assignment of services (for amounts above the EU threshold), scoring criteria that significantly foster the hiring of individuals.

For their part, the consortia are committed to:

- ensuring provision of work for persons facing hardship who are residents of the municipalities in which the services are to be provided or which are regulated by the health district for such persons;
- ensuring compliance with the law – or, if the numbers are higher, compliance with signed agreements – with regard to quotas of the disabled or persons facing hardship provided with work opportunities;
- ensuring recruitment and application of national labour agreements for working persons facing hardship;
- providing incentives for cooperatives taking part in customised job opportunity projects for persons facing hardship;
- fostering quality certification of member cooperatives.

Consistent with the above objectives, Hera produced new operating instructions in November 2007 to define the methods for qualifying social cooperatives, govern the related awarding of supply contracts, work and services, and monitor the appointment for the purpose of creating a related company database. Furthermore, in 2008 the Group Guidelines for supplier selection procedures were approved, to which guidelines for outsourcing services to social cooperatives were added.

In 2008, the value of the main supplies requested from social cooperatives and temporary consortium including social cooperatives came to around Euro 30.8 million, an increase of 34% when compared with 2007. Essentially all of this amount was related to environmental services. A growth trend is apparent compared both to 2006 and 2007, confirming Hera's commitment to operate based on the social sustainability criteria expressed in the Code of Ethics, of which the agreement mentioned above is an implementation tool.

The number of social cooperatives and consortia of social cooperatives that have contracts with Hera declined by 6 units compared to 2007: this is a result of a turnover between 10 parties that are no longer in contract and 4 new contracting parties.

Following the disposal at the end of 2007 of Hera Ferrara's business units involved in green business and extermination and rat control, services which are partially outsourced to social cooperatives, the number of cooperatives under contract declined by 3 units; in addition, 2 cooperatives in the Ferrara area joined a consortium that was already under contract with Hera Ferrara.

Finally, a gradual process in which social cooperatives are grouping into consortia has been noted, which began in 2005-2006 throughout the area, in order to guarantee uniqueness of the reference party, able to attain a progressive standardisation process in the phases of work force entry and project monitoring.

The number of persons facing hardship involved in providing services awarded by Hera decreased from 590 in 2007 to 554 in 2008 (-6%). The change is primarily due to the sale of the business units described above, which employed a significant number of persons facing hardships.

Summary data related to the territorial companies' contracts are included below.

Hera Bologna's existing contracts resulted in the hiring of 43 persons facing hardship. In Hera Ferrara, 9 persons facing hardship were hired, compared to 81 employed in 2007 (of which 16 fellows), mainly in the services discontinued as part of the sales of green business and extermination and rat control business units which employed persons for social co-operatives. Hera Forlì-Cesena employed 117 persons. Hera Imola-Faenza employed 26 persons, Hera Modena 210 persons, Hera Ravenna 30 persons, while Hera Rimini employed 119 persons facing hardship.

The objective for 2008 is to improve quarterly and annual monitoring of the social co-operatives and consortiums of social co-operatives concerning contracts entered into and hiring of persons facing hardships, extending this throughout all companies of the Group, including Hera S.p.A.

Finally, it should be noted that in 2008, two public invitations for tenders were published, awarded by means of the most economically advantageous bid method, where a part of the score was for the projects providing work for persons facing hardship.

- 20 points (of the 45 related to the technical part) in the tender for Hera Rimini's waste management services (starting price Euro 34.5 million);
- 20 points (of the 40 related to the technical part) in the tender for Hera Imola-Faenza's waste management services (starting price Euro 0.5 million);

Hera Ferrara and the Matteo25 Social Cooperative

The agreement signed in April 2008 between Hera Ferrara and the Matteo25 Social Cooperative resulted in the hiring of two persons facing hardship for activities in the environmental sector (sidewalk cleaning, emptying bins, etc.) in the via Krasnodar zone. Hera's technicians and area residents judged the work to be highly satisfactory and appreciated the care and diligence in carrying out the work. This initiative has high social and educational value, as it brought persons facing hardship into the workforce, involving them in work responsibilities and improving their social-relational integration. The project continued throughout 2008 and was renewed in 2009.

Raw material supplies

The natural gas sold by the Hera Group in 2008 in the areas in which it operates was mainly purchased from Eni Gas & Power (63%). Approximately 9% was purchased from Edison, 2% from other minor national operators and 26% via Hera Trading (which, in turn, mainly purchased gas from VNG of Leipzig, Eni, A2A, Edison and Eongas of Vienna).

With regard to the electricity market, 43% of sales to end customers were covered by the production from high-efficiency thermoelectricity power stations of companies in which Hera holds investments (Tirreno Power, Calenia and SET); 49% was covered by bilateral purchases from other operators. The remaining 9% was sourced on the electricity exchange.

The methods for trading electricity, both via sourcing on the electricity exchange and, more generally through bilateral agreements, do not allow for tracing the sources of energy in order to be able to certify the type of production upstream.

With regard to production from thermoelectric power stations in which Hera holds investments and imports, green certificates for 63 GWh were acquired, so as to comply with the obligations envisaged by the Bersani Decree.

During 2008, 81% of water resource needs (water introduced onto the civil and industrial aqueduct networks) were covered by our own production (collection from springs, rivers and lakes, capping water table). The remaining 19% was covered through third party purchases. The major supplier of wholesale water is Romagna Acque - Società delle Fonti S.p.A., which supplies 84% of the volume purchased by third parties in the areas of Ravenna, Forlì-Cesena and Rimini provinces.

Organising procurement at Hera

Hera Group has adopted a structure for procuring goods, services and work, excluding raw materials, divided up over two organisational levels: Procurement and Tender Contracts Management Division (Hera SpA) and various Procurement and Tender Contracts Management Business Units established in each Territorial Operative Company. The top level engages in qualification and assessment of suppliers both for the Holding Company and the Territorial Operative Companies, guidance and coordination, procurement planning and management via Group agreements, tender bids for the assignment of goods, services and works above the EU threshold and for the most significant goods/services categories (Class A), procurement for the Divisions of Hera S.p.A. and for the Group companies which use the SAP computer system, as well as an internal advisory service for the Group and subsidiaries, guaranteeing operations on a consistent basis with the economic and financial strategies and objectives. The lower level, by contrast, engages in minor procurement for Territorial Operative Companies. It coordinates its action on the basis of requisites laid down by the Procurement and Tender Contract Management Division, and deals with identification of needs and stock management.

With regard to supplier qualification, the Supplier Qualification Department:

- sets forth procedures and guidelines;
- manages the process of qualification and assessment of suppliers;
- manages a qualified suppliers/businesses database;
- processes reporting for the purpose of qualification.

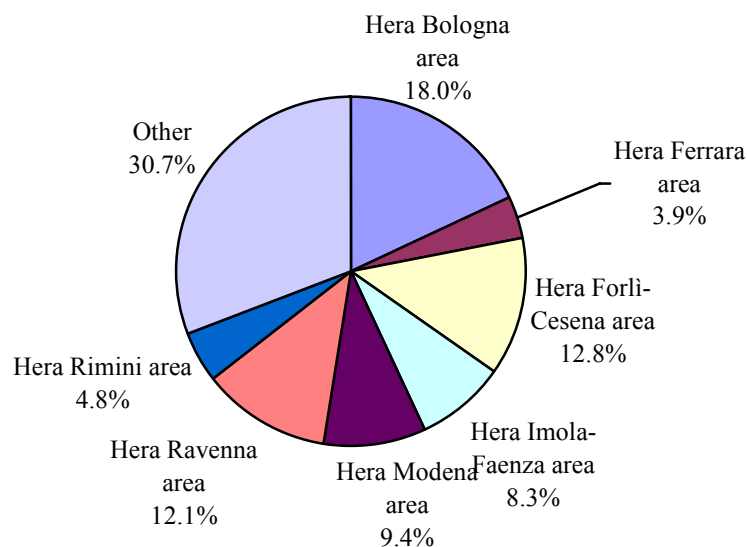
Operations within local communities

Suppliers (breakdown by geographic area)

(No.)	2006	2007	2008	2008 %
Hera Bologna area	3,161	3,224	1,377	14.5%
Hera Ferrara area	860	878	442	4.6%
Hera Forli-Cesena area	1,600	1,647	762	8.0%
Hera Imola-Faenza area	867	851	527	5.5%
Hera Modena area	1,701	1,805	1,691	17.8%
Hera Ravenna area	987	994	652	6.9%
Hera Rimini area	1,585	1,665	705	7.4%
Total area	10,761	11,064	6,156	64.7%
Other provinces of Emilia-Romagna	453	484	357	3.8%
Other Italian regions (Regioni)	4,795	5,063	2,900	30.5%
Other European Union nations	113	122	71	0.7%
Other	48	47	27	0.3%
Total	16,170	16,780	9,511	100.0%

Data refer to the Group companies whose suppliers are handled via the SAP computer system: Hera S.p.A., the Territorial Operative Companies, Hera Luce, Famula On Line, Uniflotte, Ecologia Ambiente, FEA, Recupera.

Value of supplies (breakdown by geographic area)



Once again in 2008 we note the positive impact of the Hera Group procurement processes on the areas in which the group is operational, and on local communities. One positive indicator consists in the locations of supplier businesses: 65% of Hera suppliers were made up of businesses with commercial headquarters in the area covered by Hera. In 2008, the Hera Group issued job orders worth Euro 476 million, equating to 69.3% of the total, to businesses based in the same area as that covered by Hera, increasing the positive trend.

The countries outside the European Union are Switzerland, Serbia, Principality of Monaco, Republic of San Marino, Turkey and the United States.

The rationalisation that occurred in 2008 culminated in a single supplier list for all Group companies for which a “service” purchased by the Procurement and Tender Contract Management Division is active: this resulted in an expansion of possible supply markets for the suppliers.

In addition, it is important to emphasise that the rationalisation of the number of suppliers did not substantially change the proportions by geographic areas, with the one exception in the Modena area, in which the Sat company of Sassuolo joined the Group.

Qualification and selection of suppliers

Supplier qualification and assessment is handled at the Group level and is based on verification of technical, economic, and organisational quality requirements and compliance with environmental and safety regulations.

In the qualification phase, the supplier is requested to accept the rules contained in the Group’s Code of Ethics.

Controls are conducted for supplies of goods upon delivery of said goods. For services and job orders, controls take place during performance of the tasks assigned, using standard or specific checklists, normalised at the Group level, and quarterly reporting. In the event that goods or services are found to be non-compliant, the company contact records and manages the event to guarantee its traceability and its impact on the periodic supplier assessment.

In 2008, the Group carried out inspections at the premises of goods suppliers and also began inspections of waste transportation services. In some cases, conduct which was not fully compliant was found, highlighted and corrected in a short time, working closely with the supplier. Subsequently, the effectiveness of the corrective action required was checked.

Qualified suppliers (breakdown by type of certification)

(No.)	2006	2007	2008
Quality certification (ISO 9001)	1,400	1,744	1,781
Qualification by certificate on execution of public works (SOA)	418	532	543
Environmental certification (ISO 14001-EMAS)	155	230	273
Lab analysis quality certification (SINAL)	29	34	37
Measurement instrument calibration quality certification (SIT)	21	30	30
Occupational safety (OHSAS 18001)	18	36	43
Social certification (SA 8000)	3	8	12

Procurement from qualified suppliers (value breakdown by type of certification)

(thousands of €)	2006	2007	2008	% of 2008 supplies
Quality certification (ISO 9001)	347,580	445,944	489,748	71.3%
Qualification by certificate on execution of public works (SOA)	154,313	186,308	264,945	38.5%
Environmental certification (ISO 14001-EMAS)	89,340	118,568	182,566	26.6%
Occupational safety (OHSAS 18001)	550	35,111	28,245	4.1%
Lab analysis quality certification (SINAL)	1,617	8,458	15,087	2.2%
Social certification (SA 8000)	0	3,141	11,122	1.6%
Measurement instrument calibration quality certification (SIT)	274	563	250	0.0%

The constant increase in the number of certified suppliers is the result of direct action taken by the company via systematic inclusion of ISO 9001 quality certification as an obligatory requirement in the public invitations for tenders or the supplier approval stage. The increase was also the result of a greater awareness in the business system that qualitative growth is a component of competitiveness.

There has been a significant increase in the number of suppliers with environmental certification (+19%), occupational safety certification (+19%) and social responsibility certification (+50%), especially considering the supplier rationalisation activity that took place at the beginning of the year.

In 2008, the requirements matrix for each goods/service class was revised to apply also to public invitations for tenders for the supply of goods, services and work. In addition, a new system of in-house (on a quarterly basis) and external monitoring of suppliers was implemented for the purpose of checking the compliance with required quality, environmental and safety levels.

During 2008, 12 inspections were carried out at suppliers in order to assess the compliance of the supply production processes with ISO 9001 and ISO 14001 standards.

Tenders for contracts awarded on the basis of the most economically advantageous bid approach

Since 2006, the most economically advantageous bid approach (envisaged by Article 83 of Italian Legislative Decree No. 163/2006) has been the main method followed by Hera when awarding tender contracts. Over the last two years, Hera has progressively introduced and strongly incentivised bid assessment methods within the awarding of the most significant tenders; these methods assign a score to the aspects associated with the quality of the supply, works safety and the correct handling of the environmental aspects.

Operation: “green purchases”

In 2008, Hera began a series of actions aimed at integrating ecological and environmental criteria into the decisions to purchase goods and services. A tender bid was announced to supply office furniture in which the environmental requirements constituted the winning elements in assessing the technical offer. In the section for the centrifuges (used in the treatment sector) energy savings requirements were included and in the section for purging machines, noise and atmospheric emissions requirements were included. In addition to choosing stationery supplies made of recyclable materials,

100% recycled paper was introduced, the production of which consumes 60% less water and electricity than that of paper produced from virgin raw materials.

Public procedure tenders for contracts adopting the economically most advantageous bid method

	2006	2007	2008
Value of the public invitations for tenders published (in millions of €)	6.9	36.8	184.6
% of total value of public invitations for tenders published	16%	50%	89%
No. of public invitations for tenders published	1	8	18

Over the course of 2008, Senior Management approved the guidelines on the supplier selection methodology, which include rules for tender award criteria. Hera Group reaffirmed its preference for the most economically advantageous bid method and the valuation of offers based on the principles set forth in art. 48 of the Code of Ethics and, specifically:

- **respect for the environment:** contain the environmental impact of technologies, vehicles and equipment offered, with particular attention to energy savings and use of recycled materials;
- **respect for social commitments:** for example, hiring of persons facing hardship in services management by presenting a suitable social employment project or by reserving a portion of the services under tender for social cooperatives, correct assessment of the labour cost applied based on economic values set forth in the reference collective labour agreement as well as welfare, social security and tax regulations, and respect for relevant regulations for health and safety;
- **quality of services:** characteristic closely linked to technical ability, acquired know-how, and business organisation; in this sense, the most important criteria are those that assess performance, worksite organisation, the business' quality plans, etc.;
- **price:** the economic criterion represents an element of the offer assessment that must always be included with the assessment of the offer's consistency, with particular attention to operating costs (maintenance, spare parts, technical assistance).

During 2008, a total of 24 public invitations for tenders were announced, as well as 4 tenders for qualification systems.

In particular, 20 public invitations for tenders were announced above the EU threshold, for a total amount of Euro 198.6 million, of which 17 were awarded based on the criteria of most economically advantageous bid, for a total amount of Euro 181.8 million. 4 public invitations for tenders were announced that were below the EU threshold, for a total of Euro 8.4 million, of which one tender was awarded based on the criteria of most economically advantageous bid, for a total of Euro 2.7 million.

Consequently, Hera Group awarded 90% of the starting price of the public tenders that were above the EU threshold using the most economically advantageous bid method, and 32% of the starting price of the public tenders that were below the EU threshold.

Among the tenders that took place, it is worth noting the sustainability criteria that were included in the technical component of the request for bids for the environmental services of Hera Rimini and Imola-Faenza and the tender for cafeteria services.

In Rimini's environmental services tender, of the 45 points reserved for the technical component of the offer, 20 were attributed based on the social employment project (with a request to specify in the project the hiring of persons facing hardships), 13 to service organisation (with particular attention to checking and verification activities for the service performed, minimisation of environmental impact and emergency service response times) and 12 to the type and age of the vehicles, with specific reference to their environmental and acoustic impact.

In Hera Imola-Faenza's environmental services tender, of the 40 points reserved for the technical component of the offer, 20 were attributed based on the social employment project (with a request to specify in the project the hiring of persons facing hardships), 20 to service organisation, with particular attention to checking and verification activities for the service performed, minimisation of environmental impact and characteristics of the vehicles used.

In the cafeteria services tender, 40 points were assigned to the economic portion of the offer and 60 points to the technical component. Of these 60 points, 8 were assigned to menu variety, 14 for organisational and management potential, 10 points to the professional profiles of the personnel, 8 to sourcing from local suppliers ("0 km" purchases), 6 points to "sustainable management" (water and energy savings, waste prevention and separate waste collection, use of tap water) and finally, 14 for quality of the equipment and the ambience in the businesses' cafeterias.

The achievements of 2008 form a solid base on which to build an operational procedure in 2009 that supports the Group's technicians in identifying and applying specific sustainability indicators which express, in operational terms, the criteria for respect for the environments, respect of social commitments, quality of services, and operating costs.

E-procurement

In 2008, the e-procurement platform was consolidated and more than 20 on-line tenders were conducted for a value of Euro 15 million.

The system has been developed to effectively support both negotiations for the largest discount as well as more complex negotiations that involve managing multiple sealed envelopes (administrative, technical and economic).

As regards migrating the supplier list to the new platform, beginning in April 2008 an informational campaign was initiated for every Hera Group supplier to acquire the data necessary to define the user profile and consequently allow system access, in full respect of security and privacy principles.

In 2009, the platform will be extended to all Procurement-Tender offices of the Territorial Operative Companies and management of public tenders will begin.

Contract management

After Legislative Decree 81/2008 came into effect in 2008, the general contract conditions were adjusted to reflect the provisions of the new regulation. In addition, the reference to the Single Employment Ledger was updated to be consistent with Law no. 113 of 6 August 2008, whereby the general contract conditions must cite the Employment Register and Accident Register.

In the Group Standard Specifications for environmental services, the regulations regarding outsourcing contained in the Federambiente national labour agreement renewed on 30 June 2008 and effective 18 September 2008 were acknowledged. Specifically, in addition to provisions already applied by Hera Group (such as adoption of the most economically advantageous bid method as the selection criteria for businesses, verification of insurance, tax and wage compliance of the contracting companies, contract termination if the company violates work safety regulations, employment contract regulations or tax regulations), a clause was added that prohibits the sub-contracting of environmental services by businesses that have been awarded tenders by Hera Group companies.

In 2008 a detailed training programme was initiated for more than 600 contract references, to spread awareness of the contents of the Tender Contract Management Manual, with the objective of highlighting the importance of punctuality in controls of the contracting company, with particular importance on wage, tax and safety compliance for workers on the premises of the contracting companies.

In addition, a programme within Hera Group to spread awareness of the of the supplier assessment checklist was started in 2008, aimed at managing the controls carried out daily on external businesses and documenting their requirements.

At the end of 2008, non-compliances began being applied using the SAP R3 information system, in accordance with the supplier assessment procedures contained in Hera Group's Quality Manual.

Tender contract management manual

The new supplier assessment model was consolidated in 2008, at both the organisational and system level. This model begins at the preparation of control checklists for goods, services, and work purchased, and continues through the quarterly assignment of a qualitative score to the suppliers, including the drawing up and management of any non-compliance.

The checklists are assessment forms which include both the main elements which make it possible to check the compliance of the supply with the contractual specifications, and elements pertaining to work safety, the correct handling of environmental impacts or the working conditions of the employees belonging to the supplier.

The activities that resulted in the system consolidation and its full use beginning in October 2008 are:

- updating the organisational procedure related to supplier assessment/non-compliance management;
- finalising the standard control checklist for goods, services and work as well as specific control forms where provided for;
- providing specific training to all buyers, Works Directors, company contacts and their assistants (more than 600 persons) involved in the procedure;
- setting up and testing the information system to manage non-compliances and automatically calculating the score.

In 2008, there were 36 open non-compliances involving both the Holding and the Territorial Operative Companies.

There were 113 checklists prepared for supplier control (83 specific control forms for materials and 30 checklists for services and work).

Times of payment as per contract

Consistent with the financial stability objectives of Hera Group as well as Group guidelines, the times of payment as per contract are fixed at 120 days, month-end invoice date. Certain types of supplies, such as fuel or postage charges, deviate from the aforesaid limit.

Supplier relations

Information and communication

The Group's website contains a supplier portal through which each supplier can check if various goods/services groups are open in order to propose itself as a candidate, the goods/services categories attributed to that supplier, its qualification status, as well as participate in on-line tenders.

Public invitations for tenders and application forms for inclusion in the list of suppliers are included in the website section dedicated to suppliers. 24 public invitations for tender were announced on the website in 2008; approximately 100 suppliers requested inclusion in the supplier list.

In addition, 4 tenders concerning Qualification Systems were announced, aimed at pre-emptive supplier selection based on technical and economic requirements in accordance with art. 232 of the Public Contracts Code.

Following supplier qualification, selective negotiated procedures for Hera Group contract suppliers were initiated. The announced Qualification Systems are related to:

- supply of electric vehicles;
- supply and installation of plants with ultrafiltration membrane technology;
- carrying out building works at the environmental division's plants;
- carrying out planned work on the gas, water, district heating and sewerage networks.

Litigation with suppliers

At the end of 2008, there were 60 pending disputes with suppliers mainly concerning tender issues.

Public Administration

Objectives and performance

We said we would...	We have...
<ul style="list-style-type: none">• Work together with the Water and Waste Regulatory Authorities (ATO) of Bologna in developing a unique application for reporting of environmental services (Glicine project) and support its extension to other Water and Waste Regulatory Authorities (ATO).	<ul style="list-style-type: none">• The Glicine application was implemented during 2008 by the ATO of Bologna. Extension to other agencies is currently suspended due to regional law 10/2008 on the organisational restructuring of the agencies (see page 141).

Breakdown

Hera is a service provider for more than 200 municipalities (nearly all are Hera shareholders).

The area covered by Hera is regulated by 8 Water and Waste Regulatory Authorities (ATO) with regulatory mandates covering waste management and water services. The energy sector (gas and electricity) is regulated by the Electrical Energy and Gas Authority (AEEG), an independent regulatory and control authority for the sector established by law no. 481/1995.

The research and development activities undertaken by the Group entail collaboration with various bodies (universities, research centres such as ENEA and CNR, public bodies, other companies). These activities are conducted via partnerships or quite simply through sponsorship.

Corporate crime prevention

Hera is committed to guaranteeing the highest levels of integrity and honesty in relationships with public administration. For this reason, the Group has adopted a model for organisation, management and control designed to identify specific risks associated with the crimes identified in Legislative Decree 231/2001, which it maintains updated.

Currently the organisation model includes twenty protocols that strive to ensure transparency and a sense of ownership in internal and external relationships. For each "high risk" process, the protocols identify principles, roles, and responsibilities which should be followed in managing the activities and define the periodic information flows for control. Each protocol ensures the constant monitoring of high risk activities for the Oversight Body. The protocols also encompass relationship management with the Authorities, public loans, and donations and gifts.

The procedures adopted conform to the principles of the Code of Ethics with the aim of guiding Group management based on the values and principles defined in the Charter of Values.

Hera's participation in the development of public policies

The Hera Group intervenes for the purpose of safeguarding its own interests and in order to promote discussion on the development of regulated markets and services within specific institutional offices whether through participation in the formation of the positions of the associations of reference or, to an increasing degree, individually, by dealing directly with public administrations and regulatory and legislative entities. These discussions essentially take place through exchanges of opinion, position documents and targeted communications, participation in formalised debates (public consultations) and the promotion of a bilateral dialogue through meetings with the stakeholders. The Group's positions are also disseminated through participation in discussions on research themes promoted by academic institutions and independent entities as well as through associations operating on an international level (EUREAU, EURELECTRIC, CEEP).

During 2008, discussions with institutions involved in the development of significant primary legislation assumed increasing importance; especially with regard to environmental and energy legislation; the contacts and discussions to this effect were held with parliamentarians and Government officials. The relations with the Electric System Operator (*Gestore del Sistema Elettrico* or GSE) have become closer and are strongly focused on recognition of renewable resources for the various plant constructions.

An intense and well thought out activity involving direct participation in conventions, events and training opportunities is an integral part of the overall strategy aimed at promoting the Group's positions; the Group's contribution to the debate on local public service reforms at the economic level was particularly significant in 2008, as in this area Hera is the leader in the campaign for industrialization of services, rational management, uniform and coherent efficiency criteria, effectiveness and economy. These types of contributions appeared in magazines and the minutes of conferences dedicated to the reform of public utility services.

The central nature of the territory, optimisation of the multiutility model, modernization of the local public services other than energy, growth of the local utility companies as a contribution to the competitiveness of the country and the markets and dissemination of best management and regulatory practices through all activities are the elements that constitute the basis of Hera's institutional communication.

Relationships with municipalities and other local authorities

The administrators of the shareholder municipalities are major stakeholders in Hera since they are majority shareholders and also constitute a link between Hera and the areas in which Hera is operational.

There is more structure in the dialogue with mayors: in 2008, Hera Bologna met with the Bologna Area Municipality Committee every six months, while Hera Forlì-Cesena meets with the local Territorial Mayors Committee every quarter. Hera Imola-Faenza

meets with all the mayors of its region, often together with the top management of Con.AMI, every three months. Hera Modena meets the Municipality Panel every month or two months. This panel consists of the mayors of all the municipalities of the region or their representatives. Hera Ravenna carries out periodic meetings with the municipalities and the relative decentralisations in order to examine issues relating to the services provided in the region; in 2008 5 such meetings took place. The Local Shareholders' Committee in the Rimini area met four times in 2008. At these meetings the initiatives carried out in the regions were discussed in depth and the activities and services carried out in the area were analysed.

Usl Agency and Hera Ravenna together for separate waste collection

During 2008, the activities of the collection, disposal and transport service for special and recyclable waste within hospitals and departments of the Ravenna health authority, run by a joint venture headed up by Hera, led to the collection of around 600 tons of special health waste and more than 560 tons of separately collected waste: this is an increase of 13% compared to the amount collected in 2007. The service involves the hospital centres of Ravenna, Lugo, Faenza, Cervia and the Districts and Departments of the provincial region.

In 2008, the Users Representation Council (*Consiglio di Rappresentanza delle Utenze or CRU*) was established for the Ferrara area. It is composed of one representative for each District, one for the Municipality of Ferrara and one for Hera Ferrara and presents proposals to the Hera Ferrara Board of Directors aimed at improving the quality of the services offered.

Hera publishes a newsletter that is distributed via email and contains news that is of interest to the regions it covers and the entire Group.

Accords, agreements and memorandums

In order to jointly define the methods for the realisation and management of Hera plants and services, Hera develops accords with local authorities, and economic and citizens' associations. The subscription of these accords formally binds the parties to respect the regulations and schedules. These signed accords then take the form of agreements or memorandums of understanding, depending on the form considered most suitable by the signatories to ensure the fulfilment of reciprocal commitments and subsequent application. The following are a few examples of the main elements of some agreements:

- Voluntary agreement between Coop Estense, Agenda 21 of the Municipality of Modena, Environmental Policy Inspectorate Office and Hera Modena for the realization of sustainable development actions that promote separate waste collection, decreased production of waste and packaging and, in general, a better policy for the management of solid waste (signed on 20 December 2007). The voluntary agreement is considered the most efficient instrument for realizing the objectives defined in the local Agenda 21 Plan of Action and is a process in which all the signatories participated.
- "Programme Agreement for the performance of the 2007-2008 action plan for air quality" between Ferrara Province and municipalities and businesses that manage local public services in Ferrara Province, for the establishment of

measures to reduce atmospheric emissions. Hera commits to reduce the impact of the commute between work and home of its employees and of its operating services, by introducing methane vehicles, Euro 4 vehicles, and shifting activities to timeframes that have less impact on traffic (approved on 29 October 2007).

The R.A.E.E. (waste from electrical and electronic appliances) project in prisons

The pre-treatment project for electrical and electronic appliance waste (RAEE) within the prison system began in 2007 as an initiative from the partnership of Equal Pegaso project (a community initiative that works with the primary regional educational agencies, the Municipalities of Bologna and Ferrara, the Forlì-Cesena Province, and the Prison Superintendents Office of Emilia-Romagna, among others) and through the significant commitment of the Regional Prison Administration and Hera Group.

The project's objective is to create disassembly and pre-treatment laboratories for electrical and electronic appliance waste in the penal institutions of Bologna, Ferrara and Forlì. It is currently the leading national inter-prison project for prisoner work placement. It has been set up so that it can be repeated in other penitentiaries, in order to extend the project throughout Emilia-Romagna.

After the regulation on the RAEE (L.D. 151/05) came into effect, the project partners increased to include the main major National Consortia of Producers of Electric and Electronic appliances and the Emilia-Romagna region, which promoted the initiative.

The project is active in laboratories located within the penitentiaries of Ferrara and Bologna and the third laboratory will be deployed shortly outside the penitentiary of Forlì, as it will be supported by prisoners that have partial freedom status. There will be 12 prisoners involved in the three units, for a capacity of approximately 1,200 tons of waste (non hazardous) per year with the objective of ensuring the recovery and re-use of 80 to 85% of the components, materials and substances.

Relations with authorities

Authority for Electrical Energy and Gas (AEEG)

The national regulatory authorities in Hera's sectors of operation that impact the Group's operations and activities the most are the Authority for Electrical Energy and Gas (control and regulation of quality level's, setting of tariffs for the network activity and regulated components of sales, monitoring of financial, accounting and organizational issues that affect the equality of treatment of the operators and the transparency of the conditions through which networks are accessed) and the Antitrust Authority (antitrust, merger and acquisition authorizations, safeguarding of consumers and supervising of the correctness of commercial policies).

Due to the importance of the effects of its decisions on regulated and market activities, the relations with the AEEG are particularly structured. Hera participates directly and through associations in the mandatory AEEG consultations in view of the adoption of new provisions. The management of Hera is regularly represented in high level association delegations; ad hoc meetings, including informal meetings, are set up with specific AEEG departments to discuss technical issues. In 2008, the discussion on reforming the gas distribution tariffs were particularly significant as they introduced important new elements (elimination of the volume risk borne by operators through a

predetermined constraint and evaluation of the entire regulated capital invested using the revaluated historical cost method), adaptation of the rate contribution for the energy efficiency initiatives and the reforms of the quality regulation. For each of these issues, the Group exercised its influence and offered constructive contributions, and was satisfied with the degree to which its proposals were acknowledged as sound.

Hera top management also participated in the customary general annual audition, where it presented assessments and proposals on the major regulation issues and confirmed its status as a major player in the national energy services industry.

The relations and discussions were expanded with the Antitrust Authority as well, in regard to the increasing attention it has paid to consumer safeguarding, transparency and correctness of commercial offers and in general the communication with customers.

In its relations with the regulatory Authorities, Hera draws on the principles of correctness, loyalty and transparency of its own Code of Ethics; the information requested by public administrations with regulatory functions are transmitted with regularity and completeness. Any criticalities or potential problems in the collection of information are indicated beforehand and submitted for opinions and interpretations while avoiding excessive recourse to interpellation on issues for which reasonable solutions can be found either through an in depth study of the laws or through discussion and exchange of experiences with other companies.

In 2008 there were no sanctions or formal recalls; other investigations which could have resulted in sanctions or prescriptions were concluded successfully.

Hera has begun and is proceeding with internal monitoring processes of regulated areas, in line with the inevitably increased complexity of the regulation and safeguarding resulting from the opening of the markets. For example, one intense activity involving dialogue with customers, which the AEEG is constantly kept abreast of, is related to claims concerning service quality. Internal control instruments similar to those that the Authorities would adopt in the event of an inspection are also being developed, in order to disseminate best practices and provide management with early warning signal for operational criticalities.

Another proof of Hera's constant development insofar as the regulatory context is provided by its notable reactivity and participation in experimental schemes ("voluntary" regulation). The Group was among the first to adopt the reorganization set forth in the functional separation rules, and rapidly set up the figure of the Network Operator, participated in the experimentation involving the new regulations for call centres, actively contributed to the growth of competition in the electricity market by successfully participating in the calls for tenders for safety suppliers while it also participates in the scheme for the comparison of commercial offers of electricity inaugurated by the Authority in order to provide more transparency in the market.

Kit for waste recycling and energy savings ... even at the beach

June 2008 marked the beginning of the project for sustainable bathing establishments promoted and organized by the Province of Rimini, the five coastal municipalities and Hera Rimini in association with Legacoop and the lifeguard organizations. Coloured bins for the collection of various materials were distributed so that they could be placed along the boardwalks and at the entrances of the bathing establishments, as were water saving tap heads, low consumption light bulbs and informational posters aimed at increasing the awareness of tourists and lifeguards about the importance of using water with care.

Umbrella agencies for public services (Water and Waste Regulatory Agencies)

One of the pivotal points of the evolutionary process that has been of interest to the local public services system in recent years is the separation of the functions of regulation and inspection on one side (maintained by public administration) and management on the other side, opening the supply of services to public-private or completely private businesses. The other fundamental concept identified is that of “optimal regional environment”, meaning the size of the area necessary to guarantee management based on the principles of efficiency, effectiveness and economy, exceeding the current fragmentation.

The laws that have introduced this concept for water services and urban waste management are Law 36/1994 (Galli Law) and L.D. 22/1997 (Ronchi Decree), respectively. The Emilia-Romagna Region, in Regional Law 25/1999, identified the optimal regional environments in the province and provided for the established of umbrella agencies for public services, with jurisdiction over integrated water services and management services for urban waste and related functions. The Water and Waste Regulatory Agencies (ATOs) have assumed the function of regulation and inspection of services, formerly performed by the municipalities, and introduced a wider reference point to guarantee higher efficiency, effectiveness and economy in management. As a result, a debate was initiated on the proper regional dimensions for regulation and inspection agencies, in consideration of the system’s evolution.

In brief, the functions of the Water and Waster Regulatory Agencies include:

- planning: specific planning activities for services and preparation and approval of investment programmes;
- regulation: this function is concerned with defining procedures for granting services, defining relationships with operators, drafting regulation related to services, and setting rates;
- inspection of services performed by the operator;

protecting users’ interests, guaranteeing continuity and quality of fundamental services, and avoiding the risk of critical or emergency situations. The Emilia Romagna Region issued law no. 10 of 30 June 2008 containing measures for the reorganization of local public services. This law provides for the organisational restructuring of the ATO Agencies and the relative competences, part of which will be transferred to the Region as from 1 July 2009.

Insofar as the reporting that Hera must produce periodically for the ATO Agencies, we note that while significant progress was made in the Bologna ATO Agency reporting following the full deployment of the “Glicine” project, in 2008 it was not possible to make the reporting uniform for the ATO Agencies in the territories served by Hera. The implementation of “Glicine” in the Bologna ATO Agency made it possible to collect all the information provided by the operators and the Municipalities in one single data base automatically creating the necessary information reports for the compilation of the digital MUD (annual report) and the reports for other institutional entities (region, provincial waste oversight committee, etc.). “Glicine” also allows for a description of the services provided in the municipal area and processing of the indicators for evaluation of the activities carried out. Currently, the application is being upgraded so that it can be adapted to the new MUD regulations. The connection of “Glicine” with the new regional system “ORSO” is also planned.

Police and Hera Bologna for separate waste collection

A memorandum of understanding has been signed between the Bologna Police Headquarters and the Director of Hera Bologna aimed at increasing separate waste collection of paper. Hera provided to the personnel of the mobile units 10 240-litre drums in addition to a collection and dumping service on call approximately once a month. The Police Headquarters committed to involve and motivate its personnel to actively participate in the separate waste collection, by correctly collating the separate recyclable waste. In only 3 months, from 21 July, over 760 kilograms of paper were collected in the offices of the Police Headquarters, which were sent to the Comieco affiliated platform for recovery. The excellent result induced the Ministry of the Economy, the Ministry of Infrastructures, the Court of Auditors and the 5th Battalion of Carabinieri to sign the same memorandum of understanding with Hera Bologna.

Research projects

Hera Group's research activities in 2008 chiefly concerned the development of environmental monitoring and control technologies, energy efficiency, optimisation of the network management, and the technological development of renewable resources.

Leading research projects were:

- **The CO₂ project.** Started in 2005, this project aims to reduce treatment sewage sludges and greenhouse gas emissions. It consists in experimenting with an innovative technology for the capture of carbon dioxide (CO₂) contained in gas emissions from combustion processes and its usage in the anaerobic digestion process of purification sewage. A series of experimental activities took place in 2006 and 2007 on a pilot installation set up for this purpose: the tests that were carried out showed a good CO₂ capturing capacity and a significant increase in the specific production of biogas. In 2008 the experimental activities aiming to improve the anaerobic process continued, with an initial project for industrial application of the process in an installation constructed in real scale to assess performance.
- **Emerging Pollutants Project.** The term "Emerging Pollutants" refers to various biologically active substances of anthropic origin such as medicines, psychoactive substances associated with drug addiction, their metabolites, and personal care products. One particular category that is transversal compared to the previous ones is that of interfering endocrines. The presence of these substances in water is considered to be one of the most significant environmental problems of the last decade. The problem is felt in Europe and the United States. These pollutants enter the water systems through the residue of the human or animal metabolism or through their direct use in industry and agriculture. In 2007, Hera began a research project designed to identify the primary EPs (emerging pollutants) in water systems (with particular attention to natural drinking water), to improve analytical methods for quantitative determination, check for the presence of such substances in specific water systems and evaluate the effectiveness of removal from the current treatment systems (purifying and depuration). Hera takes an active part in the study group "Interfering endocrines and water intended for human consumption" (www.edinwater.com) promoted by the AMGA Foundation of Genoa (www.fondazioneamga.it). Other Italian multiutilities, various university departments and the Italian Institute of Health are members of the study group. In 2008,

collaboration began with the Centro Ferrara Ricerche and the Istituto Mario Negri, aimed at surveying some pharmaceutical micro pollutants in waste water.

- **Environmental Catalysis Project.** The project, started in 2007 with the collaboration of the University of Bologna and with the participation of the Italian Institute of Health, envisages checking the use of traditional catalytic converters used to abate NO_x emissions and dioxins. Testing of several commercial catalytic converters was carried out in 2007 with outstanding results, above all for those used in the Group's plants. In 2008, the new filter prototype was designed and the withdrawals for the detailed characterisation of the emissions through an analysis carried out by the Group laboratories in association with the Istituto Superiore di Sanità took place.

- **Electro-osmotic reclamation of sewage sludge project.** The aim of this project, started in 2006 in partnership with the University of Ferrara, is to apply electrokinetic techniques used for reclaiming polluted land to improve the features of sewage sludge. Following the interesting results insofar as the removal of the polluting content obtained through the first tests in 2006 on a micro-prototype, tests on a larger scale prototype were carried out in 2007. The results obtained in 2008 showed an interesting capacity for removal of organic and inorganic pollutants though through the use of considerable energy, which currently makes the use of other technologies more attractive.

- **Automatic Leakage Detection Project.** The project consists of studying innovative systems for automatically locating water leaks, to be used with the remote reading system. A test site was set up in 2007, and tests in different environmental conditions were carried out. The initial results from the experiments were extremely interesting. In 2008, the survey techniques were improved through the creation of a device for automatic collection on the field without supervision, the development of an instrument for statistical analysis on the MatLab® and the design of a device for the simulation of water losses.

- **Ferrara Water Project.** This project involves a series of actions designed to support the management of the Ferrara water system via application of state-of-the-art technological solutions such as mathematical simulation models and forecasting models for refurbishment of water pipes. The mathematical model of the network was developed, the first measures for dividing the system into districts were undertaken, and research campaigns on losses were conducted using acoustic tools. In 2007 an optimisation model to plan actions for the refurbishment of the waterway network was set up and then used by Hera Ferrara. The project was completed in 2008 with the technological transferral of the results to Hera Ferrara.

- **Energy Efficiency Benchmarking Project.** The aim of the project is to supply tools to improve the energy efficiency of integrated water service systems. Through benchmarking and an appropriate schematisation of the plant processes, it will be possible to measure and monitor the energy efficiency of each plant. The activity initially regards the purification plants. The project is coordinated by the Water Research Centre of Swindon (UK) and various European multiutilities are involved. The activity which began in 2008 continued in 2008 with the characterization of the energy consumption at the Cervia (Ravenna) purification plant, the definition of measuring points for verification of actual consumption and the relative installation of the necessary instruments.

- **Fuel-Cell Project.** The project aims to evaluate the efficiency of plants for distributed production of electricity and heat through combustion cells fuelled by methane or hydrogen. In 2006, the realisation of cell prototype with a polymeric

membrane powered by methane was completed. In 2007, the cell was transferred to the ENEA laboratories in Bologna. In 2008, operational tests were carried out and the possibility of upgrading the cell was looked into with the manufacturer,

- **Automatic Plant Management Project.** This project which was developed in association with ENEA, aims to develop a system for the automatic management of the main operating parameters of the water service plants. The system will need to maintain the process conditions of a given plant at maximum efficiency, as a function of the composition of the incoming waste (treatment plants) and raw water (potability treatment plants). The objective is to guarantee the quality of the final product and reduce energy consumption. In 2008, the work at the Calderera di Reno (Bologna) treatment plant began. This plant will be used as a test site.
- **Modelling of the Water Cycle Plants Project.** The project provides for the development of mathematical models that simulate water or processing plants in treatment facilities. The objective is to acquire the necessary instruments and know how in order to begin coordinating the mathematical model of the integrated water cycle plants. This activity, which will be added to the already consolidated activity involving the network models, is necessary in order to support the management, expansion and optimisation of the plants. The project is carried out in association with ENEA.
- **The Laboratory for Energy.** In 2008 a feasibility study was completed for the realization in Forlì of an experimental centre for applied research in technologies for energy production from renewable and alternative sources.

Hera's "innovation" was the protagonist at the Water Distribution System Analysis Conference

At the Water Distribution System Analysis 2008, the premier world conference on water distribution which was held in South Africa, Hera, the only Italian water service operator present, presented some of the more innovative projects for improved management of water systems which are applied to the Ferrara water network: "A combination of criticality analyses and failure rates for planning interventions on the Hera Ferrara water distribution network," and the more recent work "Criticality Analyses," which aims to define the investment optimisation criterion through a system applied by major industrial groups to large projects and infrastructures applied for the first time to water distribution networks.

Local Communities

Hera intends to take stock of the needs of the area in which it is operational. This commitment also includes listening to and involving the main consumer, trade and environmental associations, in an intense activity of communication concerning environmental issues and numerous awareness initiatives to be carried out at schools. Furthermore, in 2008 three consulting committees were serving the citizens residing close to Hera plants in order to uphold the Group's commitment to transparent management of its plants.

Objectives and performance

We said we would...	We have...
<ul style="list-style-type: none"> • Launch the RAB in Rimini in conjunction with the expansion of the waste-to-energy plant. • Repeat the "Science Well" initiative directed at spreading the scientific culture of environmental sustainability in schools and other youth groups. • Plan a guided tour of a relevant plant regarding water service. • Circulate the Sustainability Report to local stakeholders, also within specific areas. 	<ul style="list-style-type: none"> • Held the first RAB meeting in Raibano in July 2008 (see page 43). • The "Science Well" initiative was repeated in 2008 with the involvement of 11,000 students and over 1,000 teachers (see page 149). • The guided tour of the new analysis laboratory at Forlì was inaugurated in March 2009 (see page 147). • The Sustainability Report was present during five events held in the territory which were attended by over 750 persons and 55 speakers of which 40 were representing stakeholders (see page 45).
We shall...	
<ul style="list-style-type: none"> • Set up the activities of the Rimini RAB. • Increase the number of students involved in educational activities promoted by the Hera Group (Tuttigiùperterra, Itinerario invisibile, the Science Well). • Renew the section of the website dedicated to young people by introducing new ways to use the contents. • Verify the contents of the Sustainability Report (materiality, response capacity) by involving workers and other stakeholders. • Complete the planning and start the construction of a renewable energy laboratory in 2010 in Forlì. 	

Breakdown

In Hera's service area, there are nearly 3.1 million inhabitants. The provinces in which the company is operational host approx. 14,000 non-profit organisations.

Every year, Hera works together with approx. 700 schools (involving approx. 45,600 students in environmental education activities). Hera develops projects with many associations.

Communication

Social and environmental communication

In 2008, the communication strategy was characterized by the attention to the environment and themes involving energy and energy savings. Despite the liberalisation of the electricity market that induced Hera to invest more in marketing, the environmental sustainability issues were not left behind. Hera Home continued its travels around the territory. This is a travelling structure in which people can learn about home energy consumption and understand solutions to adopt to lower their energy bill, through a recreational-educational tour using bar code technology, and the value of energy-saving light bulbs, which are given away free of charge. Hera Home also promotes water savings and separate waste collection. Indeed, visitors received information about techniques for saving water, through distribution of water flow regulators for taps, and how to dispose of waste properly. To focus even more attention on this issue, information panels on the waste cycle (for the various types) and an attractive interactive game were added in 2008. Hera Home has also become a useful on line tool with which to calculate energy consumption from one's home, as it performs as if assessing the inside of the home itself. Over 3,000 persons decided to use this tool.

Ricikyoto

On the occasion of the Sustainable Development Education Week promoted by Unesco from 10 to 16 November 2008, the "Ricikyoto" initiative was held in Imola. It was promoted by Geolab Onlus under the sponsorship of the Municipality of Imola and with the support of Hera Imola-Faenza. Citizens are invited to bring sacks of paper and batteries to the piazza and in return they receive seedlings and mulled wine, in a square festival setting. Information brochures on separate waste collection were distributed by the Hera Imola-Faenza stand and environmental hygiene technicians collected the material which was then taken to the Imola drop off point. The initiative highlighted personal commitment to the reduction and proper collection of waste and protection of the environment in a way that was serious yet entertaining.

Furthermore, to increase awareness about water savings, for world water day 2008, Hera has once again planned a significant ad campaign on major daily newspapers of the region. To reinforce the message underlining the importance of carrying out separate waste collection, three commercials were aired in cinemas within the territory served by Hera.

Together with FAI for the “ABCs of the heart”

On 6 June 2008 at Hera Ferrara in an event attended by over 300 children, the book “*Per un ABC del cuore* (The ABCs of the Heart) was presented. This book was produced by primary school students of the province of Ferrara for a project run by FAI in association with Hera. This project involved assisting the children to explore the places where they lived through the Environment, Beauty and Culture. The children were asked to come up with ideas that would fit into the three bins labelled A, B and C (*Ambiente, Bellezza e Cultura* - Environment, Beauty and Culture), or the “ABCs of the Heart.”

As concerns the planned tour in 2008 of a major water service plant, the creation of the new Forlì laboratory presented a more important opportunity. Thus, to take advantage of this opportunity and make it more understandable to laymen, a new tour for visitors has been planned for the beginning of 2009.

Taking part in exhibitions and trade fairs

In June 2008, the Hera Group participated in the “CIWM Show,” one of the most important events in the waste sector, which has been held in Torbay, United Kingdom for over 30 years now. The exhibition is organised by the CIWM (Chartered Institution of Waste Management), a British organisation with over 7,000 members, encompassing professionals and companies operating in the waste sector. Hera, the only Italian agency at the event, participated with a stand that was much appreciated (and photographed) for its technological aspect as well as its design by visitors and organisers to such an extent that it won the prize for the best stand at the fair. Hera had the opportunity to show high levels of professionalism and competence, its lengthy experience in managing the integrated waste cycle and planning, developing and managing treatment plants, particularly those that use waste to produce energy.

Hera once again participated in Ecomondo, the international exhibition for the recovery of waste and energy and sustainable development, which is the Group's primary exhibition.

Hera promotes Hera Home and tap water at Ecomondo

In 2008, Hera once again took part in Ecomondo, the International Fair held in Rimini for the recovery of materials and energy and sustainable development. Hera participated with the Hera Home, some renewable energy proposals and the Hera₂O project which involved the installation of several tap water dispensers in various pavilions of the fair and a special area at the “Vetrina della Sostenibilità” (“Window on Sustainability”), the Emilia-Romagna Region stand. Approximately fifty people played “Vote for the best water” in this stand. Four of the most popular bottled waters, presented without their labels, were tasted together with the tap water. The tap water was voted the best.

Hera on the internet

In March 2008 the Group's new site went on line. This site was created so as to more directly address the continually increasing requirements of the various stakeholders. The home page of the site is extremely simple so as to quickly orient visitors towards the

vast content offering, custom designed as needed for customers, citizens, institutions, investors, suppliers and schools.

Many new items were introduced, not only at the graphic design level but first and foremost in terms of contents and interactive instruments, such as videos, podcasts, image banks, RSS feeds, mail alerts and the calendar which highlights the Group's activities, subdivided into various areas of interest. The Customer area has been enhanced with detailed information on environmental services and separate waste collection, personalised by municipality and the HER@ ON-LINE portal. The e-procurement portal was made available to suppliers for optimisation and transparent management of invitations to tender and qualification processes. The "VedoHera" newsletter was created for the periodic sharing of news on sustainability and an exploration of significant issues. There has been progress insofar as online information about waste to energy plants, for which the average values are updated every thirty minutes. Furthermore, as a test, simplified stations were set up at URP offices through which information about emissions can be viewed through a touch screen monitor. For investors, we have ensured the quick, qualitative transmission of financial information. The financial statements were published in html format on the same day they were approved by the Board of Directors.

This intense commitment to on line communications ensured for Hera the sixth place in the Italian web ranking classification (this classification considers 80 companies listed on the stock exchange) and the 6th place at the European level in the web ranking study focused for the first time exclusively on the energy sector.

Website hits

(No.)	2006	2007	2008
Page views (monthly)	408,280	446,962	408,636
Unique visitors per month	-	41,553	48,702

The unique visitors are the non-duplicated visitors to a website who are counted only once during a specific period of time. In 2007, the average number of unique visitors per month was 41,553, while in 2008 this number had risen to 48,702. The percent change is + 17%.

In 2009, particular attention will be paid to schools. The area dedicated to young persons will be completely renewed with the introduction of new ways to use the contents and incentives aimed at increasing proper use of natural resources, thereby developing awareness and increasing participation in these areas.

What is said about Hera on line

Blogs, fora, newsgroups and social networks are virtual places for discussion that are gaining more and more ground, while the opinions expressed there are becoming increasingly important for companies. The main characteristic of these web areas is the fact that the contents are provided and updated by the users themselves. Hera monitors these channels of communication in order to be informed about whether the Group is being discussed and what is said about it. Compared to last year, the relevant messages have increased by over 60%: there were over 600 in 2008.

It must be kept in mind that due to the nature of these channels, the discussions tend to focus on problems and very rarely on successes. Among the positive aspects is the appreciation for the initiatives aimed at raising the awareness on separate waste

collection. Most of the criticism involved bills that were too high, the development of new waste-to-energy plants and the bad water quality in some areas of Romagna. Annual monitoring of "virtual fora" and the analysis of relevant conversations are summarised in two biannual reports. This monitoring will be increased in 2009 with weekly reports and daily notifications.

Environmental education

At the beginning of each school year, the Territorial Operative Companies of the Hera Group promote environmental education projects, in order to raise awareness in schools on issues related to services and to take part in the educational process. For two years now, there has been a coordination of environmental education projects so as to ensure that the Group's actions are uniform while implementing the more positive and effective experiences gained at the local level.

In addition to creating "Tuttigiùperterra," the common element of all environmental objective initiatives, two projects were promoted that integrated the educational offering at the local level "The Science Well," in its second consecutive year and the "Invisible itinerary."

Environmental education projects

(No.)	2006	2007	2008
Schools involved	659	553	699
Participating students	37,622	36,014	45,617
Teachers involved	-	2,513	2,899

The data refers to the activities run by Hera S.p.A. and the Territorial Operative Companies in the years that are indicated.

A comparison between the results for 2007 and those for 2008 show a strong growth trend, due to the quality and higher scientific-educational level of the environmental education initiatives run by the group. The results that were achieved were also influenced by significant initiatives promoted in several territories. This is the case for Ravenna with the Materiality project which has been run for 17 years now and is a point of reference and interest for the territory's schools, as confirmed each year by the figures that are achieved.

"I sentieri dell'acqua" (The Paths of Water) are back

The guided tours of citizens to some plants linked to the water cycle continued in 2008. Between April and May the Santerno treatment plant in Italy, the Formellino treatment plant in Faenza, the water collection basins and the industrial water system at Bulbano were open to the public. At each plant, visitors had access to explanatory information panels that acted as a sort of open air brochure and Hera's Imola-Faenza technicians as guides. The "paths of water" project was run jointly by Hera Imola-Faenza e Con.Ami. and involved approximately 3,000 elementary and middle school students.

Hera has promoted and organised, in association with the Marino Golinelli Foundation of Bologna, the second edition of the "Science Well," an event which is dedicated to the

dissemination of science learning and environmental education. In the main cities of the areas served by Hera, adolescents from all the schools participated in educational workshops, meetings, and presentations on the environment, energy and water, for a total of 190 workshops and 25 meetings over 3 days. Approximately 11,000 students and 1,041 teachers were involved in 376 educational activities including scientific animations and plays, taking place in 9 cities in the territory served by Hera. The quality of the project and level of the events were crowned with success. They involved entities and institutions involved in scientific research scientists and researchers who spoke about environmental, water and energy issues. Thousands of children and teenagers thus had the opportunity to come closer to gain more knowledge about science and get to know about Hera's activities while learning and having fun. The event was sponsored by the Emilia-Romagna Region, the Regional School Office and the Provinces and Municipalities that were involved. Given the success of the event, it has been scheduled for 2009 as well.

During 2008, Hera started the "Invisible Itinerary", - the waste, water and energy cycle – an educational project aimed at first and second level secondary schools that provides for guided field trips to the plants in the various territories in order to teach schools about the waste, energy and water cycle and Hera's role in the management of these important processes that are part of our daily life. For 2007/08, the project, which is an evolution of the usual visits to plants, was carried out on a trial basis in the provinces of Bologna, Forlì-Cesena and Ravenna and involved 21 schools, 1,134 students and 29 teachers. In 2009, the "Invisible Itinerary" is scheduled to take place for a second time and will be extended to the other territories in which the company maintains its own plants.

Hera has also renewed its association with BLOGmag, the monthly magazine of upper high school students for the third time. The project involves promotional space and permanent editorials dedicated to Hera in the magazine, and the production of the "Citymarket" comic, designed by Sandro Staffa with text written by the Mirada Association of Ravenna, that is an insert to the magazine.

"Rusco" from De Rerum Natura is playing

The theatre play "Rusco" De Rerum Natura is the result of the cooperation between the Hera Group and the Arte e Salute Onlus (Onlus Art and Health association) which started in the 2007-2008 period with the ongoing project "Art and Health in the Arena of the Sun." The play is derived from Lucretius' poem, "De Rerum Natura" and focuses on the issue of waste recycling, based on the Latin philosopher's doctrine that nothing in nature is destroyed but is transformed. Arte e Salute Onlus is involved with the reintegration into society of persons with psychological problems through the theatre experience which does help in this reintegration thanks to its use of creative and artistic language that are used in acting.

Media relations

Hera's presence on the media is monitored through a bimonthly qualitative and quantitative analysis of the national and local press. Insofar as quality, the articles are weighed according to several criteria of materiality (circulation of the publication, size

of the article, placement on the page, presence of photos or lack thereof, etc.) and sub-divided according to their tone. From the quantitative point of view (see table), the articles are counted and sub-divided according to their tone. The analysis also contains in depth analyses and details that make it possible to examine the main issues appearing in the media and the major criticalities pointed out by the various stakeholders.

Hera news items (national press review)

%	2006	2007	2008
Favourable or highly favourable articles	91.2%	84%	84.0%
Neutral articles	8.6%	14.1%	15.0%
Critical or extremely critical articles	0.2%	1.9%	1.0%
Total articles (no.)	420	576	618

The figures do not include Marche Multiservizi.

Hera news items (local press review)

%	2006	2007	2008
Favourable or highly favourable articles	45.7%	55.1%	58.1%
Neutral articles	33.1%	26%	29%
Critical or extremely critical articles	21.2%	18.9%	12.9%
Total articles (no.)	3,834	5,213	5,792

The figures do not include Marche Multiservizi.

In 2008, the Hera Group further consolidated its role as a national player in the sector while also gaining increasing attention from the national press. There were 618 articles in 2008 compared to 576 in 2007.

From an analysis of the issues covered, there was a predominance of articles covering financial and economic matters (mergers, annual results, etc) but also increasing attention was paid to Hera as a model of efficient management and good practices. To this end, it is interesting to note that, in addition to the financial pages, Hera also appears in magazines and weekly inserts on account of the initiatives it undertakes (the introduction of e-procurement, redesigning of the branches by architect De Lucchi, offers for families on the free market, etc.).

The attention of the local media to the Group has increased as well: from a quantitative point of view, there were 5,213 articles in 2007 and 5,792 articles in 2008, while from a qualitative or visibility point of view the level is the same as last year but with more articles with a positive tone, compared to those with a neutral or critical one. The issues that interested the local press the most related to numerous initiatives undertaken towards customers (introduction of a new bill, deployment of on line services, possibility of self-reading by customers through cellular phones, offers to families in the liberalised market). The environment was also a theme in which great interest was expressed particularly with regard to separate waste collection and numerous initiatives aiming to increase the awareness of citizens, mostly insofar as issues relating to water and energy savings.

Hera's presence in the media is the result of daily relations with journalists working in the local and national press, inspired by availability and transparency and based on the exchange of information through press releases and press conferences, as well as telephone contacts and press meetings. One of the aspects that have definitely

contributed to the improvement of the attitude towards Hera in the last few years is the media's ability to have an open relationship with the company, with quick responses to queries that are in line with media timeframes.

For 2009, the plan is to increase Hera's participation in radio and television shows, so as to disseminate the image of the company and the information on our services even more intensely throughout the territory.

Sponsorship and donations

Close relations with the local areas and their inhabitants and respect for the environment are at the centre of the spirit with which the Hera Group makes its sponsorship choices, based on criteria such as affinity with the company's identity, the relationship with the territory, compliance with commercial goals and high media visibility, searching out partnerships with companies, authorities and prestigious public and private institutions. The Group's intent is to keep track of all potential targets and to concentrate resource on initiatives with value.

In the area of culture, Hera has supported the Bologna Cineteca, as its partner in the most important events in its 2008 schedule such as *Sotto le stelle del cinema*, *Le Parole dello schermo* and *Fronte del pubblico*.

Acqua da bere e da mangiare (Water to drink and to eat)

Hera Bologna participated in Slow Food on Film, an international film and food festival held in Bologna from 7 to 9 May 2008. It was a unique opportunity to create a water culture and promote the quality of our tap water which is good and safe. During the festival, the guests drank tap water from a fountain connected to the water system and placed among the food stands inside the Cinema Lumière. Thanks to the installation of a Hera₂O dispenser next to the bar, visitors were able to choose between still and sparkling water, cold or at room temperature, but only from the tap, Hera Bologna also distributed hundreds of copies of brochures with water recipes, compiled in association with Slow Food.

Hera continued its association with the International Comics Festival "BilBolBul," by sponsoring the second festival held in Bologna and it also sponsored the "Future Film Festival," the most important Italian event dedicated to animation and special effects. Hera also contributed to the first "Festival of Contemporary Art" held in Faenza.

There were also the exhibitions of Guido Cagnacci in Forlì, "Otium." "The Art of Living in the Roman Villas in Imperial Times" in Ravenna, the exhibitions of Amico Aspertini and Giovanni Battista Cavaletto in Bologna and the Millenarian of the Basilica of Sarsina (Forlì-Cesena).

The partnership with "*ParchinMusica*" (Music in the Parks) is very important as it makes it possible to discover the charm of the countryside through the union of music and nature. Appreciation for the area was increased through walks and guided tours followed by concerts in Emilia-Romagna's parks with the assistance of expert guides.

In a more strictly local setting, Hera contributed to "Ferrara under the stars", "Pink Nights" in Rimini, the "1947 Riccione Prize and Italo Calvino" in Riccione, the holiday

project for disabled persons in the Municipality of Ravenna, “Suoniamo” (Let’s play music) in Modena and the rock music concerts in Ravenna.

Finally there were significant partnerships in cycling, which is very popular in Emilia-Romagna: for example, the “Coppi-Bartali” race, the “Giro dell’Emilia” race, the “Coppa Pantani” race, and the Giro D’Italia stops which included Cesena and Modena in 2008.

In an act of solidarity, for 2008 Hera has chosen to support the Association of the Friends of Luca which created the “Casa dei Risvegli” (House of Awakenings) in 2004, which is an innovative rehabilitation and research centre for young people and adults in comas or vegetative states.

Sponsorship

(thousands of €)	2006	2007	2008
Recreational activities	191	109	120
Culture	565	845	798
Sport	350	245	222
Social	149	149	192
Environmental	108	135	110
Other	62	41	134
Total	1,425	1,524	1,576
<i>Of which to local communities</i>	<i>1,366</i>	<i>1,441</i>	<i>1,527</i>
<i>Of which to areas not served by Hera</i>	<i>59</i>	<i>83</i>	<i>49</i>

Hera₂O and separate waste collection at the IFOAM Congress

To minimize the environmental impact on the city of Modena from the IFOAM World Congress on organic agriculture held in June 2008. Hera promoted the correct disposal of waste and consumption of tap water at the areas in which the event was held. In addition to numerous public fountains already present in the city, Hera placed dispensers of refrigerated still or sparkling tap water. The thousands of farmers, businesspeople and intellectuals attending the congress from around the world, as well as the numerous citizens who participated in the event, consumed over 100 thousand litres of tap water rather than bottled water in a little less than one week while also disposing of 7.5 tons of waste, or 85% of the total, separately.

Donations

(thousands of €)	2006	2007	2008
Recreational activities	0	11	4
Culture	56	75	30
Sport	3	1	4
Social	263	41	70
Environmental	3	26	14
Other	58	28	7
Total	383	182	129
<i>Of which to local communities</i>	<i>354</i>	<i>157</i>	<i>103</i>
<i>Of which to areas not served by Hera</i>	<i>29</i>	<i>25</i>	<i>26</i>

Environmental regulations and compensations relating to new Hera plants

The processes for the definition of the new requirements in plants and the subsequent study activities prior to the release of the new authorizations for the main new plants of the Group involve the definition of technical regulations relating to the plant as well as of actions which indirectly affect the work carried out. The following is a summary of the environmental regulations and compensations envisaged for the main programmes currently underway.

Expansion of the waste-to-energy plant in Modena Memorandum of understanding between the Province of Ferrara, the Municipality of Ferrara, Circoscrizione Nord-Ovest, and Hera (then Agea) as at 26 June 2003 Integral Environmental Authorisation, Province of Ferrara as at 11 March 2008 No. 21823	
Environmental Regulation	Status as at 31 December 2008
<ul style="list-style-type: none"> • Commissioning of the two new lines and the decommissioning of Line 1 • Monitoring of the environmental impact of the waste to energy plant through specific analyses of the air, the soil and biomonitoring. In particular, the monitoring will take place at the points that are most influenced by the emissions of the plant (defined on a model scale as a function of the meteorological and weather conditions at the site) heavy metals, dioxins and furans, IPA, PCS and fine powders. • Continuous mercury monitoring system • Continuous emissions sampling system for analysis, over the long term (up to 30 days) of micro pollutants emitted (dioxins and furans) • Setting up of an RAB to facilitate communications between the company and the citizens residing near the plant. • Building a 6 hectare wooded area • Extension of the district heating to the outlying areas of Cassana, Mezzana, Porotto and Arginone, with a discount of 25% on connection. 	<ul style="list-style-type: none"> • Line 1 was decommissioned in January 2009. • The environmental monitoring on the air component handled by the CNR of Rome began in January 2008. The protocol defined by Arpa, USL Agency and the Province of Ferrara was officially transmitted to Hera in February 2009. A detailed definition of the monitoring activity to be carried out is underway with Arpa, prior to identifying the third entity that will carry it out. • Completed • Completed • Completed • Completed • This project, which will roll out over several years, is in full development. In 2008, there were approximately 4 kilometres of pipes with 6 customers connected, while further connections will be completed within the initial months of 2009. A further discount of 20% is applied in the case of immediate connection to the network.
Construction of the new waste-to-energy plant in Forlì Environmental Impact Assessment of the Province of Forlì-Cesena as at 2 September 2004, no. 323 Authorization of the realization Province of Forlì Cesena as at 27 September 2005, no. 339 Integral Environmental Authorization Province of Forlì Cesena as at 29 April 2008, no. 237	
Environmental Regulation	Status as at 31 December 2008
<ul style="list-style-type: none"> • Creation of an 8 hectare wooded area, possibly along the Ronco river. • Gradual replacement over time of the type of fuel for the vehicles used for waste collection in Forlì, from Diesel or gas oil to a mixture of gas oil/biodiesel or methane. • Creation of a sound absorbing barrier for a residence close to the biological treatment facility managed by Hera Forlì-Cesena. 	<ul style="list-style-type: none"> • This project is underway, with completion expected by 31 March 2009. • From January 2009, the fuel mixed with biodiesel is used on all Hera vehicles, in compliance with the legislative regulations that require producers to mix gas oil with biofuel, by 3% for 2009 and upwards thereafter. There were 53 Hera Forlì-Cesena vehicles as at 31 December 2008 that run on methane/electricity (51 run on methane, 2 on

<ul style="list-style-type: none"> • Planning and implementation of a district heating network for the use of the thermal energy generated from the combustion of waste. • Decommissioning of lines 1 and 2 and usage of Line 3 exclusively. • Creation of a monitoring device for the air quality around the waste to energy plant in an area defined by Arpa. The device must be provided under a loan for use arrangement to Arpa once it has been tested. • Creation of two information points to provide the figures regarding the emissions into the atmosphere, one at the URP of the Province of Forlì-Cesena and another at the URP of the Municipality of Forlì. 	<p>electricity), which represent 20% of the total (there were 45 in 2007). Starting from 2009 waste compactors that run on methane will be launched.</p> <ul style="list-style-type: none"> • Compliance with the limits defined by the municipal acoustic zoning was confirmed in the field near the receiver, thus it was no longer necessary to put up the sound absorbing barrier. The procedures for the rectification of the administrative acts is underway (VIA). • The project was completed and is an integral part of the Forlì district heating development plan. • The decommissioning of the old lines began following the deployment of the new line 3, which is currently underway. • Carried out in via Barsanti in Forlì, as per the indications of the Arpa technicians and testing is currently underway. • Two touch screen monitors were installed, through which it is possible to check the emissions in the atmosphere: the average value for the previous hour and the average for the previous day.
<p style="text-align: center;">Construction of new cogeneration plant in Imola Decree of the Ministry for the Environment and Protection of Local Areas "Pronouncement of environmental compatibility" n. 142 of 15 February 2006 Agreement between the Municipality of Imola, Hera S.p.A. and Hera Imola-Faenza concluded on 21 December 2006 Integral Environmental Authorization Province of Bologna 11 April 2007 General Protocol No. 124043</p>	
<p style="text-align: center;">Environmental Regulation</p>	<p style="text-align: center;">Status as at 31 December 2008</p>
<ul style="list-style-type: none"> • Introduction of TSP (Total Suspended Particles) and PM10 limits of 1 mg/Nmc, sole turbo gas plant in Italy • Pre-operational environmental monitoring with two new detection devices meeting ARPA specifications • Acoustic monitoring pre-operational and during construction • Planning and development of a sustainable mobility pilot system for the city of Imola • Building of a wooded area to function as a barrier between the plant and the Zolino quarter • Creating a green area of one hectare in zones to be identified by the Municipality • Introduction of emission limits for nitrogen oxide and carbon monoxide of 15 mg/Nmc and 10 mg/Mnc, equal to 1/3 the legal limit • Introduction of summer and winter water consumption limits • Providing incentives for the development of district heating and cooling through discounts 	<ul style="list-style-type: none"> • Envisaged in the project as a quality objective, to be verified after one year of plant operation • Active since May 2007 • The pre-operational monitoring has been concluded; the first two monitorings scheduled during the construction were concluded successfully while the third is scheduled for April/May 2009 • Phase 1 of the project, which consists of supplying electric media to public administrations is underway. The re-definition of the remainder of the project is underway: the second phase will involve the mobility of the citizens while the third will involve transporting urban waste • The earthwork has been completed and landscaping by Hera will follow, to be completed prior to the end of the works • The area is being purchased by the Municipality and the landscaping will be handled by Hera. • SCR (Selective Catalytic Reduction) systems have been placed on both production lines • A hybrid cooling tower has been constructed, the marketing campaign for district heating has begun • The announced discounts of 50% and 80% were applied in 2008 on connection for the first 6 years and a further discount of 20% will be applied on the remaining amount for connections

	accompanying network extensions
Expansion of the waste-to-energy plant in Modena Environmental Impact Assessment of the Province of Modena as at 26 October 2004, no. 429 Integral Environmental Authorisation, Province of Modena as at 23 December 2008 no. 602	
Environmental Regulation	Status as at 31 December 2008
<ul style="list-style-type: none"> Decommissioning of the older Lines 1 and 2 and operation of only Line 3 and the new Line 4 Lines 3 and 4 with catalytic system for the reduction of nitrogen oxide, continuous monitoring system for mercury and PM10, continuous sampling system for analysis purposes over a longer term (up to 30 days) of the micro-pollutants emitted (dioxins and furans). Environmental monitoring Planning and implementation of a district heating network for the use of the thermal energy generated from the combustion of waste 	<ul style="list-style-type: none"> Lines 1 and 2 will be decommissioned after Line 4 is operational Inserted into the project for line 3, constructed for line 4 Active since 2004 The project was prepared and submitted to the Province and the Municipality
Expansion of the waste-to-energy plant in Rimini Environmental Impact Assessment of the Province of Rimini as at 28 December 2006, no. 259 Screening b the Province of Rimini as at 23 October 2007 n. 200 Authorisation of the realization Province of Rimini 15 May 2008, no. 105 Integral Environmental Authorisation, Province of Rimini as at 28 January 2009 no. 13	
Environmental Regulation	Status as at 31 December 2008
<ul style="list-style-type: none"> Decommissioning of the older Lines 1 and 2 and operation of only Line 3 and the new Line 4 Lines 3 and 4 with catalytic system for the reduction of nitrogen oxide, continuous monitoring system for mercury in emissions, continuous sampling system of emissions for analysis purposes over a longer term (up to 30 days) of the micro-pollutants emitted (dioxins and furans). Environmental monitoring of air, soil, and groundwater components and biomonitoring Planning and implementation of a district heating network for the use of the thermal energy generated from the combustion of waste Realization of an information point with data on the emissions in the atmosphere to be set up at the Municipality of Coriano by 30 June 2009 	<ul style="list-style-type: none"> Decommissioning of lines 1 and 2 concluded in July 2008 Included in the project. Currently underway for line 4 Active since 1997 The feasibility study was submitted to the Province and the Municipality in May 2008. The executive project will be submitted by December 2009 A computer connected to the web site in which the emission rates per half hour and for the day are published is already available at the URP of the Municipality of Coriano. A touch screen monitor will be installed by the deadline at the RAB office, which can be consulted inside the building

Associations and Hera membership

Hera belongs to “Sistema Confservizi”, the grouping of associations and federations representing the interests of local public services. They are part of the system of regional associations (Confservizi Emilia-Romagna) and sector federations Federambiente and Federutility.

The Group is also a member of AIRU (the Italian association for Municipal Heating) CIG (the Italian Gas Committee), APCE (a technical organization that monitors issues

involving gas safety, with particular reference to cathodic protection of the pipes), Impronta Etica, the Nimby Forum and the World Energy Forum (Italian chapter). It contributes to research activities regarding the public services sector conducted by leading institutions (IEFE, AREL, the local public services forum of Nomisma, the Florence School of Regulation). Hera is also a member of the ASPHI Foundation.

Pending legal proceedings

As at the end of 2008, there were 45 pending disputes with customers, 19 of which were initiated in 2008, which mainly involved the application of the tariff system to the services provided or the recovery of amounts due to Hera. Another 60 disputes are pending with suppliers, of which 7 were initiated in 2008, mainly involving issues relating to tenders.

At the end of 2008, there were also 197 disputes pending that involved other issues, mainly claims for compensation from damages connected to the services carried out by Hera. At the end of 2008, there were also 95 criminal law proceedings pending, of which 38 were initiated in 2008. Most of these proceedings are at the preliminary investigation stage and regard non-compliance with environmental requisites or regulations, without significant damage to the environment. Following the activation of the new procedure, with monitoring of administrative penalties placed at the Group level among other things, 46 such penalties have been paid. They were levied mainly on account of environmental issues and amount to a total of 95,530 Euro.

Insofar as the warning notices are concerned, we note that the actions indicated by the control organs were carried out, as there were no claims and/or notifications to the Courts regarding failure to comply with the measures. During 2008, no notices were challenged by Hera before the Regional Court Administration.

A quantitative analysis of the claims, sanctions and notices follows: Purification service 69%, environmental services 3%, accidents 6%, other 22%.

There were some disputes relating to the waste to energy plants.

With regard to the Ferrara plant, Hera has appealed with a suspension request against the integral environmental authorization issued by the Province of Ferrara as at 11 March 2008 modifying the previous act of 30 October 2007, only insofar as the regulations contained in the authorization. The suspension request was approved to 31 December 2008 and the hearing was set.

On 28 July 2008, in order to prevent serious and irreparable damage resulting from the limits imposed on the quantities of special waste processed by the plant, which would have resulted in the shut down of one of the new lines, an appeal was made to the Regional Court Administration for an interlocutory injunction aimed primarily at eliminating the aforementioned limit and secondarily for exceeding the maximum limit of the amounts the plant processes annually (130,000 tonnes per year rather than 142,000). As at 29 September 2008, the Regional Court Administration suspended the limit for special waste until 31 December 2008, while upholding the regulations of the AIA.

As regard the limits to the quantity of the overall waste that is processed and the quantities of the special waste, Hera fully complies with the accords set forth in the

memorandum of understanding signed in 2003 by Agea (currently Hera Ferrara srl), the Province of Ferrara, the Municipality of Ferrara and Circoscrizione Nord-Ovest. This memorandum did not modify the quantities that could be processed by the plant that had already been authorized, but dealt only with the limitation, in the event of special waste originating from outside the province. The company accepted this stipulation, despite the fact that the national law does not foresee any limitation to the movement of such waste.

Insofar as emissions into the atmosphere, Hera has accepted the limits imposed by the Province upon the AIA re-examination, despite the fact that they were much more restrictive than the limits authorized as part of the VIA issued in 2002.

Each quarter, Hera provides a report on the emissions of the plant compared to the limits set by the law and AIA and a report on the quantity of waste processed, by type and origin to the Residential Advisory Board, the consulting committee of the local community provided by the aforementioned memorandum of understanding which has been active since 2005.

With regard to the Modena waste to energy plant, Hera has appealed the sentence of the Regional Court Administration to the Council of State. According to that sentence, the recourse put forth by the WWF against the integral environmental authorization issued by the Province of Modena was accepted, but as the Province of Modena issued a new AIA the Council of State declared the dispute solved.

We note finally that with its sentence no. 6029/2008, the Council of State annulled the AEEG Resolutions n. 136/2005 and no. 177/05, which were delaying some energy efficiency projects proposed by Hera (white certificates), thus accepting in full Hera's proposal.

In 2008, Hera participated in work that resulted in the three Emilia-Romagna companies and the twelve regional consumer associations to agree to apply the protocol signed in 2007 for joint mediation in electricity and gas services. On 1 February 2009, the procedure was tested.

The Environment and Future Generations

The area in which Hera is operational is not merely a geographic entity. Above all else, it is the principal source of wealth, socially and environmentally, to be respected and protected for the future.

Accordingly, Hera is committed to responsibly manage the natural resources, improve its results and adopt increasingly efficient technologies with a low environmental impact.

Objectives and performance

We said we would...	We have...
<ul style="list-style-type: none"> • Reduce use of landfills as a means of disposal for municipal waste, while increasing separate waste collection and waste-to-energy treatment. The objective is to reduce the share of municipal waste directly disposed of via landfills to 15% by 2010. • Further increase separate waste collection: achieve 50% by 2010. • Double the energy generated from renewable and similar sources by 2009. • Continue the implementation of the water loss detection and reduction plan: achieve 21% by 2010. • Progressively increase the number of vehicles using fuel with low environmental impact (methane, biodiesel, electricity), to reach 40% of vehicles with low environmental impact in 2010. • Achieve validation by the external certifying agency for EMAS registration for 4 more plant engineering sites in 2008 (Busca landfill in Forlì-Cesena, Voltana landfill in Ravenna, Zocca landfill and Montefiorino landfill in Modena). • Extend district heating via the use of renewable and similar sources: increase the volume served by 25% by 2010. • Start up the plant for the treatment and subsequent recovery of waste from waste-to-energy 	<ul style="list-style-type: none"> • In 2008, municipal waste treated via landfills without pre-treatment amounted to 27.5%, essentially unchanged compared to 2007. (see p. 200). • Separate waste collection reached 42.0% in 2008. The final figure for 2007 was 36.0% (see p. 202). • Energy produced by renewable and similar sources increased 8% compared to 2007. Plants were developed that will allow us to reach the objective in 2009 (see p. 163). • Losses on the water network during 2008 came to 25.5% (provisional figure) compared with 25.3% in 2007 (see p. 178). • Due to changes in the biodiesel market, the replenishment procedures previously adopted on a voluntary basis are infeasible. In 2008, vehicles with low environmental impact (methane, electric) represented 15.8% of the total compared to 14.0% in 2007 (see p. 193). • In 2008, 4 plant engineering sites received positive verification by the external certifying agency for EMAS registration (see p. 28). • In 2008, the volume served increased 5% compared to 2007 (see p. 174). • The waste treatment plant went into operation in December 2008 (see p. 106).

treatment by the end of 2008. • Encourage the use of car pooling for commuting and develop specific mobility management initiatives in collaboration with local authorities.	• A software is currently being implemented to incentivise car pooling for commuting between home and work and between work sites. Various initiatives got underway in the areas of Bologna, Ferrara, Imola and Rimini (see p. 195).
<p style="text-align: center;">We shall...</p>	
<ul style="list-style-type: none"> • Reduce use of landfills as a means of disposal for municipal waste, while increasing separate waste collection and waste-to-energy treatment. The objective is to reduce the share of municipal waste directly disposed of via landfills to 15% by 2010. • Further increase separate waste collection: reach 45% in 2009 and pass the 50% level by 2011. • Triple the 2008 level of energy generated from renewable and similar sources by 2010. • Achieve validation by the external certifying agency for EMAS registration for 5 more plant engineering sites in 2009 (Il Pago – FI landfill, Bentivoglio -BO landfill, chemical-physical plant in Lugo - RA, Bellaria - RN transshipment plant and Piangipane – RA landfill). • Extend district heating via the use of renewable and similar sources: increase the volume served by 30% by 2011. • Continue the implementation of the water loss detection and reduction plan (real and procedural): achieve 23% by 2011. • Further increase the number of vehicles with low environmental impact (methane, GPL, or electric), aiming for at least 70% of new company vehicle purchases, and define a feasibility analysis for the progressive substitution of side-loading automatic waste compactors with methane vehicles. • Start up the Cesena composting plant, aimed at producing electricity, by 2009. • Define a project to recover the organic component of waste both as an agricultural fertiliser as well as a raw material in energy production, by 2009. 	

Environmental impact of the activities managed by Hera

In this section, the main environmental issues related to our operations are described, along with the results achieved with the development of the environmental management system.

For the energy services, the main environmental issues are:

- efficiency of gas, electricity and heat distribution networks;
- production of electricity and thermal energy from renewable sources (use of landfill and wastewater treatment biogas, photovoltaic energy), from similar sources (co-generation plants and turboexpanders) and waste-to-energy transformation.

For the water services, the main environmental issues are:

- limiting subsidence;
- efficiency of water network and of drinking water purification plants;
- reintroduction of water into the environment (surface water) following collection by sewerage systems and required treatment.

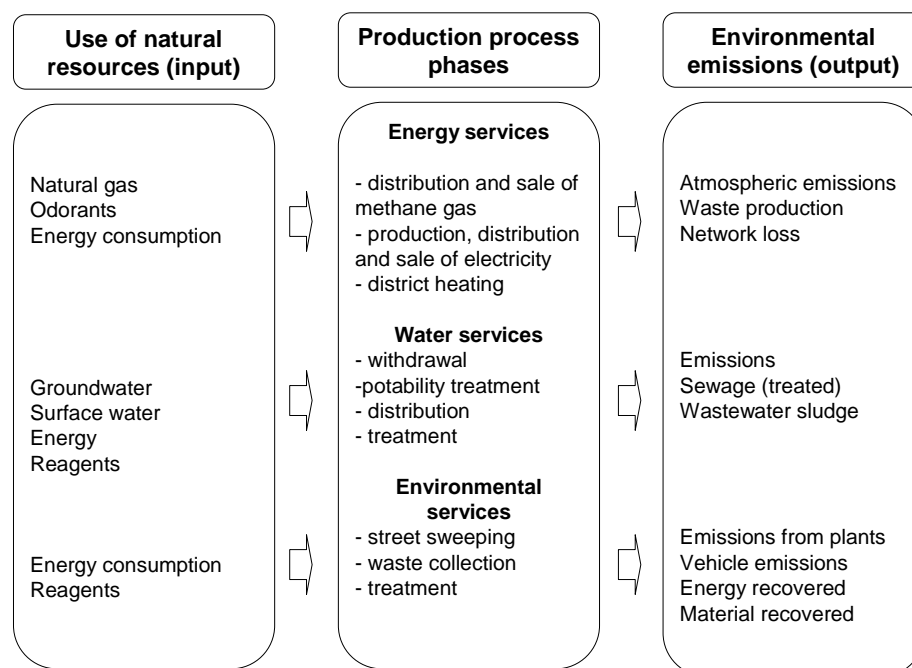
With regard to subsidence, Hera works toward reducing groundwater collection by using plants fed by surface water as frequently as possible, although this entails higher drinking water purification costs or greater procurement costs (as in the case of supplies provided by Romagna Acque).

To limit the environmental impact of wastewater, the sewer system in coastal areas is equipped with mechanisms regulating discharge into the sea in the event of heavy

rainfall. Tanks are also being built to collect runoff water to be transferred to treatment plants.

The main treatment plants are equipped with odour treatment systems using bio filters. All plants are equipped with: 24-hour a day staffing, inspections on a daily basis, or 2-3 times per week, depending on plant size. Wastewater is controlled before reintroduction into the environment on the basis of a plan specifying number, frequency and type of analysis.

Main environmental issues



With regard to waste management services, the main issues concern:

- increasing separate waste collection and the consequent recovery of materials;
- reduction of waste sent to landfills, consistent with European and Italian regulations;
- the recovery of energy from waste (via waste-to-energy transformation processes and biogas recovery).

Increased separate waste collection enhances the efficiency of downstream waste treatment and recovery of material and energy, as well as the reduction in landfill volumes.

The environmental management system

Environmental protection has been a fundamental part of Hera's mission for years. The commitment to protect the environment, respect for applicable regulations and continuous improvement of environmental performance are the basic principles of the Quality, Safety and Environment policy.

The Group views certifications as an essential governance tool. In fact, certification activities have helped the Group to improve in terms of:

- measurement and problem analysis ability and definition of corrective actions on objective bases of priority and criticality, through a systematic approach to non-compliances;
- cross-functional coordination, through the contributions of the Quality, Safety and Environment structure;
- definition of training plans and skills growth, through systematic analysis of criticalities and necessary competencies;
- input collection and definition to complete investment plans;
- internal benchmarking and sharing of problems, through the implementation of audit and control activities (both internal and external);
- implementation of Group operational procedures and instructions.

A significant commitment is required to extend the integrated management system and develop a culture focused on the environment, but also allows:

- organisation and implementation of improvement processes through systematic analysis of strengths and weaknesses (i.e., preparing action plans, defining training activities, defining investment based on highlighted needs);
- final performance measurement and monitoring over time;
- greater adherence to regulations.

In 2008, we consolidated the scope of application of the environmental management system for Hera S.p.A. and for the 7 Territorial Operative Companies. With the latest scope extension for services in the Sassuolo area with Hera Modena and the gas service with Hera Rimini, the environmental certification process has concluded without any exclusion.

Energy production

2008 was a key year for energy production activities from the standpoint of pursuing the growth objective for use of renewable and similar energy sources.

With the expansion of existing plants and the building of new production plants, we have built a solid foundation on which to reach the objective of doubling energy production from renewable and similar sources by 2009 compare to 2007, an objective that, consistent with the planning, will be achievable when the new plants fuelled by renewable and similar sources are operational.

The largest photovoltaic plant in the Ravenna province

The plant, located at Hera's premises, has a roof surface area of 3,500 square metres and captures solar energy using 532 crystalline silicon modules of 175 Wp. The electricity produced, 115 MWh per year, will primarily be used for internal consumption, while the excess will be transferred to the Electrical Service Manager. The total yearly savings are estimated to be 58 tonnes of carbon dioxide, 28 kg of carbon oxides, 417 kg of nitric oxides, and 100 kg of sulphurous dioxide. The total investment amounted to Euro 537,000.

The conclusion of work on the new gas turbine plant in Imola and the start-up of the new waste-to-energy treatment lines at Forlì and Modena were some of the highlights of this year.

Electricity produced (gross)

(MWh)	2006	2007	2008
Waste-to-Energy plants	306,074	300,716	349,227
Co-generation	94,550	81,517	78,545
Combustion of landfill biogas	15,298	21,828	26,594
Turboexpanders	9,846	11,622	11,720
Combustion of wastewater treatment biogas	1,654	8,015	8,596
Photovoltaic energy	0	224	346
Hydroelectricity	0	521	74
Total	427,422	424,443	475,102

The nominal electric power of the Group's production plants is 153 MW (of which 96 MW from waste-to-energy plants).

The average efficiency of the electricity and thermal production plants (meaning the ratio of incoming energy and net outgoing energy of the plant) is 30% for the new waste-to-energy plants and between 65% and 80% for the co-generation plants.

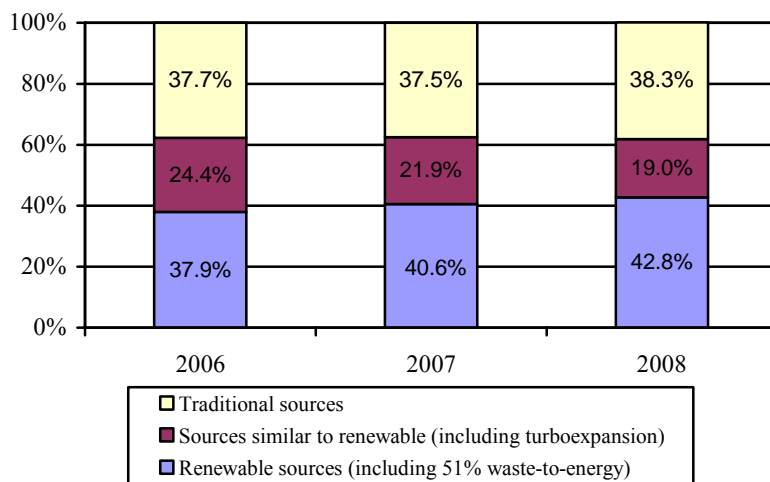
61% of the electricity produced, net of that used for internal consumption, benefits from incentives (CIP 6, Green certificates or the energy account).

The electricity produced in 2008 by companies in which the Group holds investments pertaining to Hera, came to around 1,852 GWh. The companies involved are SET, Tirreno Power and Calenia in which Hera has an equity investment.

SET and Calenia respectively run two electricity power stations in Teverola (CE) and Sparanise (CE); these are two combined-cycle plants (CCGT) which guarantee higher performances and improved environmental compatibility with respect to the traditional oil or coal-fuelled power stations. In 2008 carbon dioxide emissions from the two plants were 387 g/kWh (Teverola) and 378 g/kWh (Sparanise); the nitric oxide emissions were 50 g/MWh and 154 g/MWh.

Tirreno Power plants comprise combined-cycle plants (68%), coal-fuelled plants (20%), traditional power stations (10%) and hydroelectric plants (2%).

Total electrical energy produced



The calculation method for the portion of energy produced from renewable sources has changed with respect to that used in prior Sustainability Reports. The calculation now accounts for modifications in the regulation in 2008 that incentivise electricity production from waste-to-energy only relative to the biodegradable part of the burned waste. In anticipation of the definition of the calculation method of the biodegradable part of the waste, the Italian Ministerial Decree of 18 December 2008 states that electricity produced from municipal waste can temporarily make use of the incentive mechanisms for a portion of only 51% compared to the total produced, provided that municipal waste downstream from the separate waste collection is used.

Therefore, 51% of both electricity and thermal energy produced from waste-to-energy transformation was considered in the calculation of the share of energy produced from renewable sources. This percentage was applied to all waste disposed in waste-to-energy plants (municipal and special) and for all three years considered, in order to have standardised comparison terms and was defined consistent with regulations in force. The one exception is Ecologia Ambiente's waste-to-energy plant for special waste, whose production, with a coefficient of biodegradability of nearly zero for treated special waste, is considered non-renewable, because it originates from industrial processes.

The contribution from new plants constructed in 2008 resulted in an increase in the Group's electricity production in absolute terms.

Gross electricity produced from renewable sources saw an increase of 18% compared to 2007 while its impact on the total produced increased to 42.8%. The remaining electricity production had a high level of environmental sustainability, including: gas turboexpansion energy, energy produced as part of the cogeneration structure using heat in urban district heating networks and energy recovered from waste-to-energy transformation (only for the portion exceeding 51%).

Recovery of purification treatment energy

Hera Forlì-Cesena increasingly depends on its co-generation plants inside water treatment plants that use recovery biogas to produce electricity and thermal energy. After the Cesena plant, in operation since 2006, work was performed on the Savignano plant, and, in 2009, work will be performed on the plants in Forlì and Cesenatico.

Sludge produced in the water treatment plants began anaerobic fermentation, a process which produces biogas, which is 60%-70% methane and the remainder carbon dioxide. The biogas is used to produce electricity, used to operate the entire plant, and thermal energy used to heat liquid waste, covering up to 50% of the energy requirements of the water treatment plant.

Electricity produced (gross) (breakdown by plant)

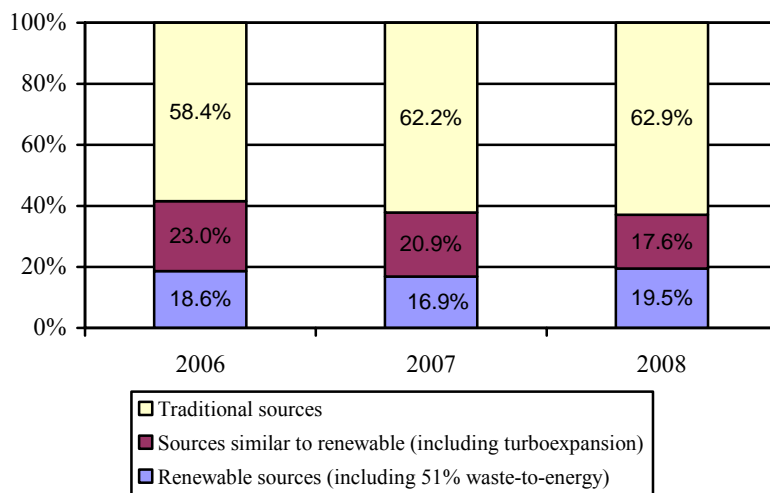
(MWh)	2006	2007	2008
Frullo Energia Ambiente (BO) waste-to-energy plant	146,955	147,533	142,196
Ferrara waste-to-energy plant	11,359	11,754	77,029
Forli waste-to-energy plant	12,203	13,290	30,701
Modena waste-to-energy plant	28,065	27,002	30,009
Ravenna waste-to-energy plant	33,273	32,741	34,678
Ecologia Ambiente waste-to-energy plant	22,098	22,919	20,795
Rimini waste-to-energy plant	52,121	45,477	13,819
<i>Total from waste-to-energy</i>	<i>306,074</i>	<i>300,716</i>	<i>349,227</i>
Bologna co-generation	39,637	38,914	51,189
Ferrara co-generation	2,178	2,204	1,887
Forli-Cesena co-generation	2,428	3,670	3,367
Imola-Faenza co-generation	48,749	35,690	20,995
Modena co-generation	1,558	1,039	1,107
<i>Total from co-generation</i>	<i>94,550</i>	<i>81,517</i>	<i>78,545</i>
Caruso Modena landfill	95	81	82
Spilamberto (MO) landfill	2,552	1,936	1,438
Alfonsine (RA) landfill	510	2,705	307
Ravenna 1C landfill	887	6,687	6,562
Galliera (BO) landfill			2,450
Nuova Geovis Sant'Agata (BO) landfill	6,254	10,419	13,246
Marche Multiservice Cà Asprete (PU) landfill			2,509
<i>Total from landfill biogas combustion</i>	<i>15,298</i>	<i>21,828</i>	<i>26,594</i>
Bologna turboexpander	804	2,664	4,112
Ferrara turboexpander	3,288	3,695	2,391
Forli turboexpander	2,889	2,577	2,410
Modena turboexpander	5	0	129
Ravenna turboexpander	2,860	2,686	2,678
<i>Total from natural gas turboexpansion</i>	<i>9,846</i>	<i>11,622</i>	<i>11,720</i>
Bologna wastewater treatment plant (biogas)	212	7,009	7,054
Cesena wastewater treatment plant (methane)	373	0	0
Cesena wastewater treatment plant (biogas)	1,047	1,006	1,542
Ravenna wastewater treatment (methane)	22	0	0
<i>Total from wastewater treatment combustion</i>	<i>1,654</i>	<i>8,015</i>	<i>8,596</i>
Interporto Bentivoglio (BO) photovoltaic plant		224	244
Sede Ravenna photovoltaic plant			18
Other photovoltaic plants			84
<i>Total from photovoltaic plants</i>		<i>224</i>	<i>346</i>
Cavaticcio Bologna hydroelectric plant	0	521	0
Para l Verghereto (FC) hydroelectric plant			74
<i>Total from hydroelectric plants</i>	<i>0</i>	<i>521</i>	<i>74</i>
Total electricity produced	427,422	424,443	475,102

Thermal energy produced (gross)

(MWh)	2006	2007	2008
Waste-to-Energy plants	47,612	40,493	55,346
Geothermics	66,599	57,261	66,544
Co-generation	112,606	96,678	85,692
Wastewater treatment plants	31	0	0
Thermoelectric power stations	262,180	267,794	278,576
Total	489,028	462,226	486,158

Heat produced from renewable sources increased 22%, positively affecting the total. These results are linked to the expansion of the waste-to-energy plants, the contribution from geothermics to the Ferrara district heating network, and, more generally, to the recovery of demand after the decline of 2007.

Total thermal energy produced



Electricity and heat from Hera's headquarters

27 thousand MWh of electricity produced from cogenerators and 41 thousand MWh of thermal energy absorbed by users. This refers to Hera's new co-generation plant in the business district of Viale Berti Pichat in Bologna, opened in October 2008. The recipients of the energy produced from the plant are the University buildings, the new single Municipality offices, the train station, the Borgo Masini residential complex, the Berti Pichat area and the Community Theatre, for a total of 433 thousand square metres served. Only one plant, powered by two Rolls Royce motors fuelled by methane gas and two high performance boilers with low pollution emissions, substitutes the traditional independent heating plants. Primary energy savings of 49% compared to energy generated by conventional systems.

The major support programmes on energy production plants in 2008 were:

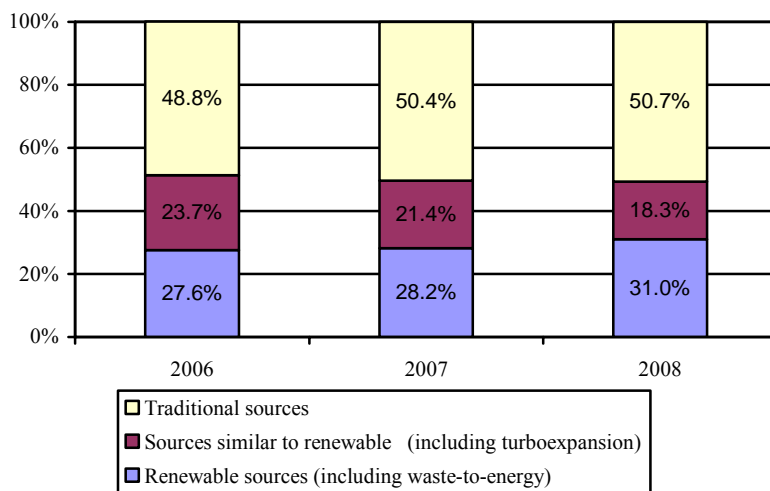
- new waste-to-energy transformation lines at Forlì (effect on production will be more evident in 2009, the new line of the plant became operational with electricity production in August 2008);
- new waste-to-energy transformation lines at Modena (effect on production will be seen in 2009, in 2008 the realisation phase was completed);

- new co-generation plant in Imola, operational as of December 2008;
- new co-generation plant at the Berti Pichat location in Bologna
- new 98 kW photovoltaic plant at the Ravenna location;
- new mini hydroelectric plant at the Para torrent, in the Verghereto (FC) municipality (160kW of power);
- new production plant using biogas recovered from the Galliera (BO) landfill (2,800kW of power);
- new production plant using biogas recovered from the Savignano (FC) water treatment plant, operational as of January 2009 (440 kW of power);
- partial revamping of Aranova co-generation area in Ferrara;
- revamping and expansion of Ippodromo co-generation area in Cesena.

Gross thermal energy produced by plants

(MWh)	2006	2007	2008
Frullo Energia Ambiente (BO) waste-to-energy plant	39.287	34.782	35.458
Ferrara waste-to-energy plant	8.325	5.711	19.888
<i>Total from waste-to-energy for district heating</i>	<i>47.612</i>	<i>40.493</i>	<i>55.346</i>
Ferrara geothermics	66.599	57.261	66.544
<i>Total from geothermics</i>	<i>66.599</i>	<i>57.261</i>	<i>66.544</i>
Bologna co-generation	45.926	43.741	49.775
Ferrara co-generation	3.046	3.011	2.618
Forli-Cesena co-generation	2.365	4.013	3.585
Imola-Faenza co-generation	59,404	44,745	28,506
Modena co-generation	1,865	1,168	1,208
<i>Total from co-generation</i>	<i>112,606</i>	<i>96,678</i>	<i>85,692</i>
Ravenna wastewater treatment (methane)	31	0	0
<i>Total from wastewater treatment combustion</i>	<i>31</i>	<i>0</i>	<i>0</i>
Bologna supplementary thermoelectric	63,560	59,131	82,925
Bologna thermoelectric	33,009	30,547	1,746
Ferrara supplementary thermoelectric	88,429	86,343	79,076
Forli-Cesena supplementary thermoelectric	8,008	13,603	12,686
Forli-Cesena thermoelectric			2,478
Imola-Faenza supplementary thermoelectric	27,323	41,628	49,715
Imola-Faenza thermoelectric			10,221
Modena supplementary thermoelectric	4,223	3,068	1,080
Modena thermoelectric	37,628	31,791	35,924
Ravenna thermoelectric	0	1,683	2,725
<i>Total from thermoelectric power stations</i>	<i>262,180</i>	<i>267,794</i>	<i>278,576</i>
Total thermal energy produced	489,028	462,226	486,158

Total energy produced



Excluding the Marche Multiservizi plant, the percentage of energy produced from renewable sources is 30.8% of the total, and is 49.2% if similar sources are included.

Industrial co-generation: customer advantages and environmental benefits

Hera Group operates in the industrial co-generation sector through the installation of various plants at relevant companies. With co-generation and tri-generation, primary energy is saved with respect to the traditional consumption, reducing emissions, increasing energy efficiency and reducing supply costs. However, an investment must be made in a dedicated technological plant.

The energy service offer provides that Hera Comm makes the investment in technological plants, thereby minimising the customer's economic commitment to energy. Hera Comm evaluates the best technological structure based on the electricity and thermal requirements of the final customer, prepares all authorisation documents (including those for the final customer) and is responsible for operating and managing the technological plant.

At the end of 2008, eight plants were operational and another seven were in the process of development. The area covered by Hera benefits from the investment made (and will benefit from those planned) also in terms of the decline in CO₂ emissions (3,600 t in 2008, 7,700 t in 2009 and more than 15,000 t per year from 2011) and primary energy savings (1,500 toe in 2008, 3,400 in 2009 and 16,000 toe per year from 2011).

Hera Comm, through energy service contracts, guaranteed a total savings to its customers of more than Euro 1 million, corresponding to 7-15% on market price to final customers of "traditional" electricity. The savings depends on the energy balance and the simultaneous use of energy carriers by customers.

Energy consumption

Hera's energy consumption reflects the multi-business nature of the Group (energy, water, environment, and other services such as district heating and public lighting). The

balanced portfolio of activities creates synergies that increase productivity in multiple sectors while limiting energy consumption.

For example, Hera manages co-generation plants that contribute to electricity needs and at the same time fuel district heating networks, waste-to-energy plants that meet waste disposal needs while achieving significant energy recovery, and turboexpanders that evaluate pressure differentials in the natural gas distribution stations in the local managed networks.

Primary energy consumption by type

thousands of GJ	2006	2007	2008
Electricity	2,106	2,148	2,176
Methane for production	3,205	3,232	2,937
Methane for heating of premises	133	110	111
Fuel for vehicles	351	317	345
Waste-to-energy treatment	6,275	6,311	6,531
Total	12,069	12,118	12,100

Data have been calculated using the conversion standards defined by the GRI G3 guidelines. The data refer to energy consumption by Hera SpA, Territorial Operating Companies, Uniflotte, Ecologia Ambiente, FEA and Hera Luce.

Hera Group's primary energy consumption is holding at a constant level, influenced by the climate and by physiological changes in consumption based on services performed. In 2008 there was a general decline in consumption, offset by increased production capacity as a result of new plants that were installed (such as the waste-to-energy transformation plants in Ferrara and Forlì, new co-generation section at the Bologna site) resulting in higher fuel consumption.

White certificate objectives

(toe)	2006	2007	2008
Gas distribution	13,039	26,047	81,489
Electricity distribution	716	1,418	8,495
TOTAL	13,755	27,465	89,984

Results achieved in terms of savings in the final use of energy are relevant, in compliance with the objectives set forth by the current legislation. In particular, new provisions introduced in Italian Ministerial Decree of 21 December 2007 concerning energy efficiency extended the objectives that were to become effective in 2008 until 2012. This favours, to the extent possible, support programmes on our own plants or at our customers.

The energy savings objectives assigned in the various years have always been fully reached.

Energy saving initiatives

In 2008, the energy savings initiatives promoted by the Group have been undertaken. Continuing our collaboration with various partners to whom Hera has made its know-how available to identify and plan energy optimisation measures, specifically concerning the industrial sector, aimed at the recovery of significant portions of thermal energy from processes or the use of renewable sources such as animal biomasses.

In collaboration with local authorities and voluntary and trade union associations, energy savings initiatives aimed at customers in Hera's local area included the distribution, free-of-charge, of approximately 150,000 energy saving light bulbs and 340,000 flow regulators for taps and showers, over and above what was distributed in prior years.

Specific energy audits were set up in some water cycle plants, the business sector that consumes the most energy.

The main support programmes aimed at energy efficiency completed or underway in 2008 were:

- for district heating, the construction of a new plant to service the Berti Pichat and S. Giacomo networks in Bologna and the expansion of the Cesena plant, in the Ippodromo area.
- optimisation of ventilation systems in the Modena treatment plant, in addition to those already completed in Cervia and Ferrara;
- optimisation of air-conditioning installations via remote management and high-efficiency generators;
- efficiency upgrading of public lighting systems;
- efficiency upgrading relative to electric motor controls with inverters.

In addition to these support programmes, certain projects were completed with industrial partners to improve efficiency in their process cycles, such as:

- innovating heat production from industrial generators to be fuelled by animal biomasses;
- developing an efficiency upgrading project for the process cycle for recycling surplus polyethylene from agricultural processes, with an estimated savings of 400 toe per year.

Energy efficiency initiatives in partnership with Eco.Ge.Ri.

This project, carried out in partnership with Eco.Ge.Ri. company, involved installing two simple cycle micro-turbines fuelled by natural gas at their Finale Emilia (MO) facility, with a nominal electric power of 100 kW each, that will produce electricity and heat under a co-generation framework.

The electricity produced will be used internally for the facility and only surpluses will be issued to the network. Heat will be recovered through a specially-designed dryer.

The work was carried out in 2007 and the first significant results were recorded in 2008 due to greater efficiency of the new plant set-up, with environmental and economic benefits, and is formally recognised in the White Certificates system, with electricity savings on the order of 400 toe per year.

Public lighting system

Besides its main energy, water and waste management sector services, Hera is also a provider of certain "supplementary" services including public lighting, managed via the company, Hera Luce, with head offices in San Mauro Pascoli (Forlì-Cesena).

Hera Luce is the number two operator in the country. It manages 326,773 light points (+7.7% compared to 2007) and ensures the efficiency of the public lighting service in 64 municipalities (4 more than in 2007) included in the provinces of Bologna, Ferrara,

Forlì-Cesena, Modena, Pesaro-Urbino, Ravenna, Rimini and Florence; for 26 of these municipalities, it also manages the traffic light installations.

Hera's management of public lighting focuses on improving the service by reducing power used and consumption levels by using new remotely controlled, electronic lighting fixtures. These systems reduce energy consumption, control lighting strength based on needs and guarantee timely maintenance.

The time required to replace burnt-out lamps was, on average, three days in 2008 (3.5 days in 2007 and 4 days in 2006).

Energy-saving intersections in Bologna

The project to modernise intersections in Bologna will be completed in early 2009, in which LED lamps will be installed to replace old lamps: 232 plants are involved, nearly 300 intersections, an investment of Euro 3 million, with the Municipality of Bologna responsible for Euro 2 million and the remainder from Hera Luce, which will manage the service. Bologna is the first city in Italy that will have all LED intersections: resulting in a 75% energy savings, or Euro 300 thousand per year.

District heating

District heating is a service involving the sale of heat for customer home heating and domestic hot water. It is an alternative system to traditional boilers which makes it possible to concentrate the production of heat in just a few central installations, which are more efficient and better controlled than home boilers. From these central installations, the heat is distributed through a network of isolated pipelines into the homes of customers in the form of hot water. The heat then fuels the domestic heating system via non-polluting heat exchangers.

There are numerous customer benefits: increased safety (no gas), lower operating and maintenance costs (no domestic boiler) and the freedom to independently regulate the temperature of each housing unit.

For cities, district heating provides a solution to air pollution problems by replacing home boilers (frequently fuelled with gas-oil or methane) and allows heat generation from high-efficiency production methods, renewable energies, or energy recovered for other production processes.

Environmental advantages of district heating

	2006	2007	2008
Primary energy saved (toe)	15,808	12,558	13,097
Nitric oxide avoided (t)	101,7	81,1	72,0
Carbon dioxide avoided (t)	62,765	52,244	56,598
Sulphur oxide avoided (t)	137,1	123,8	136,2

Calculated as the difference between a traditional installation (heating installation 35% fuelled by gas oil and 65% by methane, with an average seasonable output of 75%, and an electricity power plant with average Italian emissions) and Hera's district heating plants for the same quantity of energy (thermal and electricity). In 2008, the estimation coefficients for emissions were updated to conform with changes in the mechanisms from the Emission Trading regulation.

It is estimated that the installations managed by Hera led to primary energy savings equating to 13,097 tonnes of oil in 2008. Furthermore, district heating also makes it possible to avoid the atmospheric emission of polluting substances.

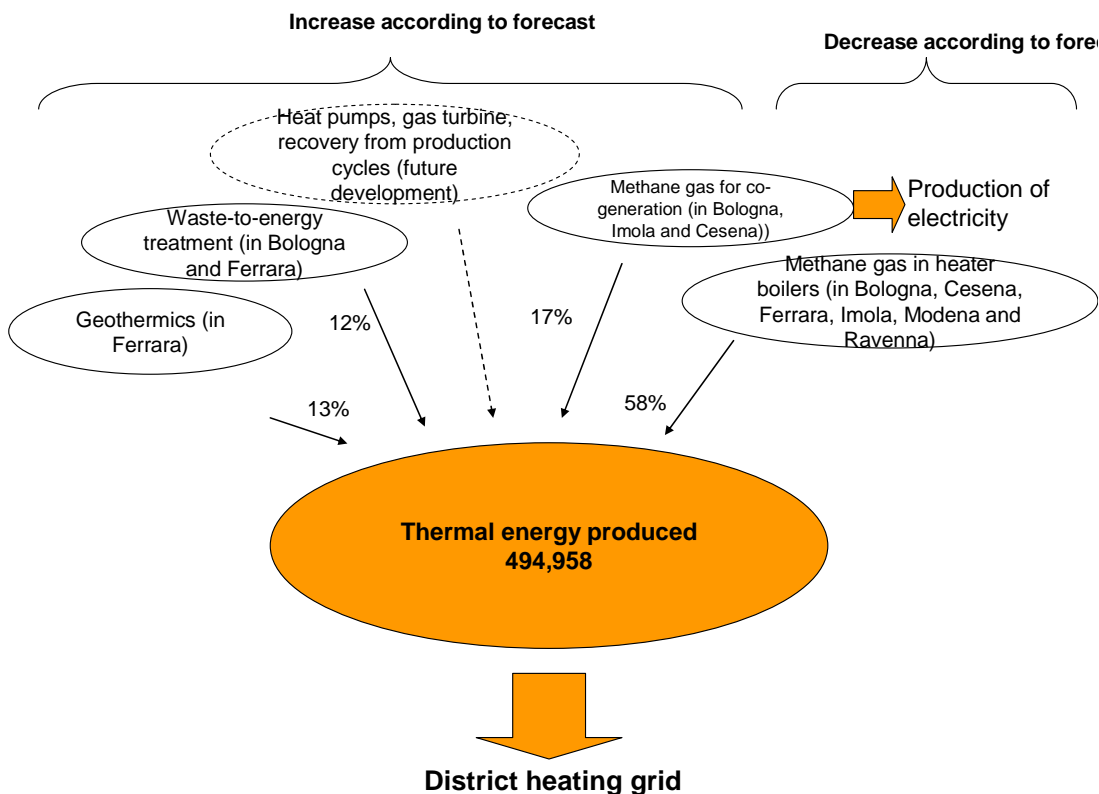
The total environmental benefits resulting from the use of district heating have been confirmed from the increase in emissions avoided, particularly sulphur oxide and carbon dioxide, as well as the increase in primary energy saved.

Environmental efficiency from co-generation in Imola

On 23 December 2008, the Mayor of Imola with Hera's Chairman and the Managing Director "switched on" the plant's new gas turbine, which has electric power of 73.2 MW and thermal power of 80 MW as part of a co-generation framework with recovery for district heating.

The overall efficiency of the plant is around 78%; normally performance is less than 50%. Better performance and long-term safety standards compared to the old Montericco plant: triple the amount of heat produced, a reduction of 34% of nitric oxides emitted (72 tonnes less per year) and lower CO₂ emission of 48 tonnes per year, due to sophisticated, third-generation technology. The plant will comply with prescribed emissions limits due to the inclusion of specific abatement systems in the project. A further environmental benefit derives from the elimination of thousands of residential boilers, often obsolete, that with district heating will be replaced by zero-emissions heat exchangers.

Sources used for district heating



District heating data

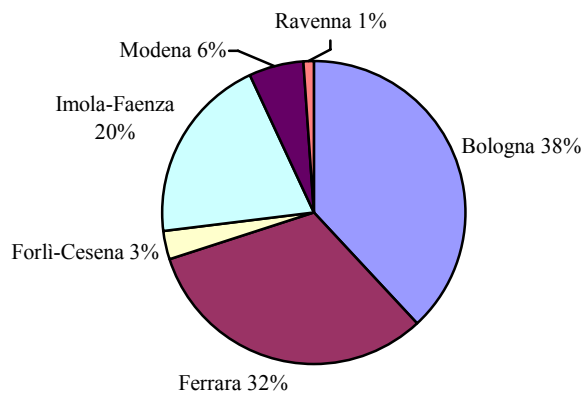
	2006	2007	2008
Thermal energy sold (MWh)	425,850	391,501	422,633
Volumes served (thousand of m ³)	14,798	15,301	16,109
Housing unit equivalents served (No.)	49,326	50,838	53,696

Housing unit equivalents served were calculated on the basis of an average apartment volume of 300 m³.

Thermal energy sold increased by 8% in the last year. This increase is due in equal parts to the increase in volumes served (+5%) and to a colder climate in 2008 compared to 2007.

The proposed development of district heating in the Industrial Plan is of considerable significance and envisages a substantial enhancement of the connected volumes, (an increase of 30% in volumes served by 2011 with respect to 2008 volumes).

Volumes served by area (2008)



More district heating in Forlì and Cesena

District heating implementation projects in the Forlì-Cesena area are increasing. In 2008 in Cesena, the Ippodromo co-generation plant was expanded, with connection to new areas that include provincial and municipal educational buildings; in Forlì, in addition to reaching new areas, preliminary work was performed to exploit heat generated from the local waste-to-energy plant. In the upcoming years, the investments made will result in a completed project that will also include the centre of Forlì. During 2008 the plants introduced into the network more than 19,000 MWh and buildings were connected for a total of 5100 kW. Within a decade, district heating will be standard, decreasing dependence on fossil sources (-51%) and reducing environmental impact because of lower CO₂ emissions (72%), NO_x (80%), CO (74%) and PM 10 (82%).

Production and distribution of water

Hera collects raw water for treatment and distribution through its aqueduct network from various sources: a large part of the collection comes from groundwater or superficial waterways, while the remainder is collected from springs or acquired from third parties. The major supplier of wholesale water is Romagna Acque - Società delle Fonti S.p.A., in the Romagna area, which provides water collected in the Ridracoli reservoir and treated for drinking purposes at the Capaccio plant in Santa Sofia (Forlì-Cesena).

The collected raw water is purified using treatments that depend on the chemical-physical characteristics: process steps include chemical and physical water drive, usually adopted for surface water (elimination of suspended solids, separation of micro pollutants, elimination of pathogens and micro-organisms) as well as filtration and disinfection applied to water coming from deep wells and springs that generally already have good characteristics and therefore require simpler treatments.

The treatments carried out guarantee that the distributed product has suitable chemical physical and microbiological features for human consumption, in constant observance of the limits laid down by current legislation.

Water introduced onto the network (breakdown by source)

thousands of m ³	2006	2007	2008
Groundwater	139,620	153,892	150,751
Surface water	149,153	159,088	169,416
<i>of which purchased</i>	<i>64,275</i>	<i>51,201</i>	<i>62,345</i>
Springs and minor sources	13,201	12,238	22,339
<i>of which purchased</i>	<i>1,032</i>	<i>1,221</i>	<i>2,236</i>
Total	301,975	325,219	342,505

Figures include both the civil and industrial aqueducts (the latter being part of the Territorial Operative Companies of Forlì-Cesena, Imola-Faenza and Ravenna and comprises 1.5% of the total).

The figures show a total increase in volume of water introduced onto the network (+5.3% compared to 2007) due to expansion of the area served to Modena and Pesaro. In the other areas, a 1.7% decline in water introduced onto the network was recorded compared to 2007. Even considering only the civil aqueduct, with the same perimeter, water introduced onto the network declined by 1.5% compared to 2007.

As regards the use of supply sources, there was a consistent increase in the use of surface water corresponding to a nearly identical decline in the groundwater collection due to greater natural hydrological availability of the surface sources, particularly from Setta torrent for Bologna and supply from the Romagna Aqueduct (Ridracoli reservoir) for the Romagna province.

In 2008, the percentage of groundwater collected of the total was 44% compared to 47.3% in 2007.

Italian software, Israeli hardware ... for water savings

To initiate a modern strategy for reducing water loss, Hera Rimini began a new project in 2008 to model and divide the water network into districts that will further lower the percentage of network water losses in the Rimini province. The project will first be

tested in the Riccione municipality, and was presented in March 2008 in a convention organised in collaboration with EHS S.r.l. and BERMAD Water Control Solutions, an Israeli company with offices throughout the world, that has carried out important projects dividing networks into districts in other tourist destinations. Due to continuous control and better pressure management, losses will be reduced by 570 thousand cubic metres, 25 litres per second of other losses and will save Euro 250 thousand per year due to lower pipe repair costs.

Water introduced into the network (breakdown by source and area) (2008)

thousands of m ³	Hera Bologna area	Hera Ferrara area	Hera Forli-Cesena area	Hera Imola-Faenza area	Hera Modena area	Hera Ravenna area	Hera Rimini area	Marche Multiservizi area
Groundwater	47,557	8,107	10,554	8,819	44,500	4	25,105	6,106
Surface water	41,526	21,626	22,690	14,066	851	32,561	16,355	19,740
<i>of which purchased</i>	0	0	20,712	12,066	0	15,614	13,953	0
Springs and minor sources	3,775	56	2,474	1,244	7,072	0	1,690	6,020
<i>of which purchased</i>	8	56	0	0	2,172	0	0	0
Total	92,866	29,789	35,718	24,129	52,423	32,565	43,150	31,866

The data include both the civil water system and the industrial water system (the latter present in the territorial companies of Forli-Cesena, Imola-Faenza and Ravenna).

Reno – Setta Connection at Sasso Marconi to decrease groundwater collection

This infrastructure, comprising a steel pipe with a diameter of 1.4 metres, a length of more than 4 km and an intake on the Reno, will link-up the river to the drinking water treatment plant of Val di Setta. This will make it possible for more surface water to reach the plant, avoiding capping these water volumes from well fields in the plains (which draw from the water table), thereby reducing the subsidence phenomenon. From Summer 2009, this should guarantee the water supply of the Bologna area involving greater use of surface water.

Current estimates predict that water withdrawals from the River Reno will be six million cubic metres per year of water that would have otherwise come from the water table, 7-8 percentage points on total water withdrawn from the environment for the Bologna-area aqueduct system. A services conference is underway to define the withdrawal methods from the two surface water bodies (Setta Torrent and River Reno). The project required an investment of Euro 22 million, of which Euro 21 million was borne by Autostrade S.p.A. to modify the highway pass over a three-year period of work.

Distribution network extension is 30,531 kilometres (including Marche Multiservizi which counts for around 4,227 kilometres). Where possible, interconnections and links are provided in order to provide for supply continuity also in cases of temporary interruption of service of one or more pipes.

Water network components

%	2006	2007	2008
Plastic	49.5%	51.4%	52.4%
Asbestos cement	25.6%	24.1%	22.0%
Steel	16.6%	16.3%	17.7%
Cast iron	6.0%	6.4%	5.9%
Other materials	2.3%	1.8%	1.9%
Total	100.0%	100.0%	100.0%

The material components of the water network are essentially stable. The percentage reduction of the asbestos cement network for the entire Hera Group is primarily due to the newly acquired networks of Marche Multiservizi, in which there is only residual asbestos cement. The reduction is also due to the fact that the new networks and reconstructions of existing networks are carried out with other materials.

Non-invoiced water (physical and administrative losses from the civil aqueduct)

%	2006	2007	2008*
Percentage of non-invoiced water (Hera Group)	25.4%	25.3%	25.5%
Percentage of non-invoiced water (Hera Group excluding Hera Modena and Marche Multiservizi)	25.2%	23.8%	24.0%

* Provisional figure

What is meant by non-invoiced water

The percentage of non-invoiced water compared to water introduced onto the network is related to physical or real losses (due to breakage of pipes or hydraulic equipment, etc.) or procedural or apparent losses (meter errors, errors in estimated presumed consumption as at 31 December, unrecorded internal consumption, illicit consumption). The latter losses result in water which is effectively delivered to the final customer but is not recorded or billed.

Until 2006, network losses were calculated as the difference between water introduced into the water system during the year and the water accounted for as supplied to customers during the same period; the latter figure was estimated as at 31 December of each year based on customers' historical consumption, as it is not possible to carry out a single reading of all metres as at 31 December. This estimate was then supplemented so as to take into account the correct charge of the water sold to customer as at 31 December in the previous year calculated after the reading of all the meters.

On the one hand, this calculation method permits perfect consistency with the revenues recorded in the statutory financial statements for each year, but on the other hand is the result of a misalignment between the figure relating to the billed water and that introduced into the system each year.

In order to get round this problem, beginning in 2007, the figure of the networks losses has been calculated in a more accurate manner allocating the adjustments deriving from the meter reading in the pertinent year and thereby guaranteeing perfect comparability between water sold and the related amounts introduced into the system each year. It goes without saying that it is possible to calculate the final figure for the year using this new approach only around 4-6 months after the close of the financial statements, or

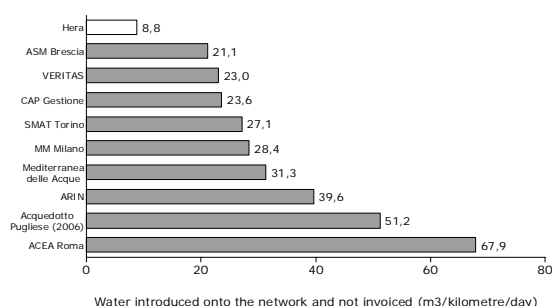
after all the meters have been read. For this reason, the figure relating to just 2006 and 2007 is shown, the only years for which it has been possible to apply this new calculation method. The figure for 2007 was 25.3% compared to a national average of 35% (Integrated Water Service Report prepared by the Osservatorio Prezzi & Tariffe of the Cittadinanza association in 2008).

The estimated figure relating to 2008 comes to 25.5%. This figure will be adjusted next year in order to take into account the effective charge calculated during 2009 after all the meters have been read.

The table below contains non-invoiced water, excluding areas which had perimeter changes in 2008 (the former Sat area in Modena and the former Megas area in Pesaro). It is thus possible to isolate the areas in which the non-invoiced water calculation was carried out with the same information system for at least the last two years. The comparison between data of the second historical series is more significant, as it shows a reduction of one percentage point compared to 2006.

Non-invoiced water in Italy

In a study published in 2009 by Mediobanca's research department concerning subsidiaries of the largest Italian municipalities, a comparison was made between non-invoiced water per kilometre of network. The longer the network managed, the more difficult it is to control physical losses. Therefore, the compare different companies, the network length should be taken



into consideration. The aqueduct managed by Hera had the best performance among the ten companies in the study (8.8 cubic metres per kilometre per day), due to contained losses and a vast network managed.

Further progress on dividing the network into districts, as well as detailed pressure reduction and the use of the most advanced mathematical models and technical tools for loss detection, have served to reduce the amount of Hera Ferrara's non-invoiced water to 32.5%. Similarly, Modena is working on dividing the network into districts which, along with pressure reduction and important replacement of connections and pipes in the Spilamberto municipality (Modena province), resulted in a 2.5% reduction of non-invoiced water at Hera Modena.

Hera Bologna will add a reduced pressure area in Castel Maggiore in 2009 to the three existing macro-areas of reduced pressure (north, south, west).

The scheduled activities of leak detection, as well as careful monitoring of the minimum night-time flow rates from the collection containers, continue throughout all areas.

All of Hera Group's Territorial Operative Companies, like most of the major multi-utilities in the world, use the most evolved mathematical network modelling software on the market. As a result, projects to divide the network into districts in Hera Rimini and Hera Ravenna have been postponed until 2009, to further study the new system set up

and determine the most efficient optimisation. Network modelling has been given further impetus, covering 72% of the whole system.

As a result of the productive collaboration with the Emilia-Romagna Region's Loss Group, in which Emilia-Romagna's utilities, Bologna's Engineering Faculty, and the Emilia-Romagna Region's Environmental Inspectorate combine their experience in terms of water losses, a dialogue with the Authority for Electrical Energy and Gas was initiated to obtain Energy Efficiency Credits for projects which lead to energy savings following reduction in losses.

Reporting of volumes used for technical purposes (cleaning of pipes, street cleaning, etc.) has already been adopted by all of the Territorial Operative Companies, which use specific forms. The installation of magnetic flow gauges on the points not yet monitored and replacement of old gauges with new magnetic flow gauges is continuing.

Consequently, water balances are increasingly precise and detailed.

Hera Group's continues to work diligently to reduce and monitor water losses, with the most advanced technologies and methodologies from the world's foremost authority on losses: the International Water Association (IWA).

As such, the Emilia-Romagna Region's Loss Group is conducting a study on two sample districts in the Hera Ferrara area to determine the Economic Losses Level, or the level of losses at which it becomes disadvantageous to invest more in reduction. The study results will be available in 2009, and once the necessary data have been collected, it will be possible to perform the same analysis for the entire system managed by Hera Group, to determine the total Economic Losses Level and the exact amount of resources that should be spent on loss reduction.

Hera Ferrara's success against water network losses

At the end of 2008 the first three-year period of the Water Loss Detection and Reduction Plan concluded, a plan which was undertaken to reduce water losses in the distribution network. Under this Plan, approved by ATO6, Hera Ferrara reduced water losses by more than 5 percentage points. The quantity of water introduced into the system reduced by 2.8 million cubic metres in 2008 compared to 2005. Over three years, 700 km of water pipeline was monitored, with an investment of more than Euro 1.8 million, and 80% of the water network managed was controlled by creating and monitoring 22 water districts.

Wastewater treatment quality

In 2008, Hera managed sewerage and wastewater treatment service through the Territorial Operative Companies in 168 municipalities of Emilia-Romagna, 6 municipalities in Marche, and in the municipalities of Firenzuola, Marradi and Palazzuolo sul Senio in Tuscany.

The sewage system is approximately 12,750 kilometres and is generally mixed.

Hera manages 841 treatment plants, of which 15 have power equal to 100,000 inhabitant equivalents.

In 2008, the purification process produced about 58 kg of sludge per inhabitant equivalent served (the figure refers to the quantity of sludge disposed with a dryness

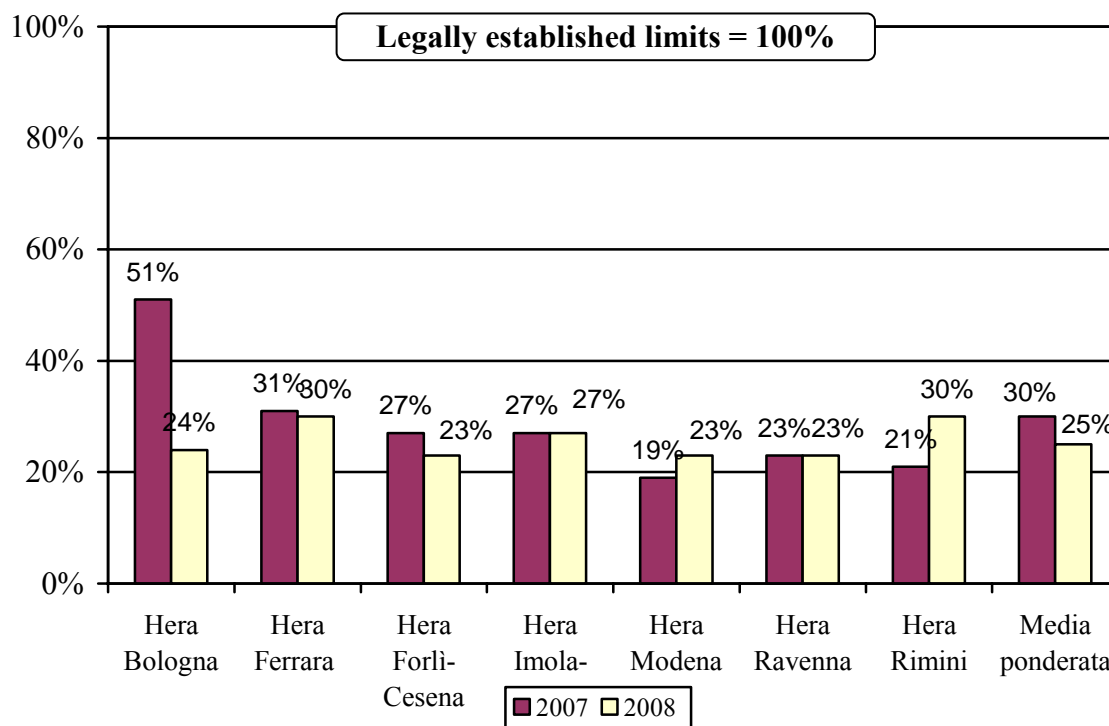
grade on the order of 18-25%). Purification treatment sludge is considered special waste and must be managed according to Legislative Decree 152/06.

As regards the possibility of recovering agricultural sludge, the reference regulation is Legislative Decree 99/92; specific regulations for the Emilia-Romagna Region are contained in resolution no. 2773/03.

The sludge produced was recovered/disposed in compliance with said regulations primarily through dedicated incineration (28,400 tonnes) transfer to landfills (83,000 tonnes) and agronomic reuse, directly or following pre-treatment (38,000 tonnes). In 2008, 19,000 tonnes of sludge were used to produce bisulphate, a soil improver. The sludge reused directly in agriculture was 2% of the total, in line with 2007.

Sewerage and wastewater treatment service was managed in 53 municipalities in Marche through Marche Multiservizi.

Compliance of treated water with legally established limits (optimal values <100%)



The indicator relates to the plants with more than 10,000 inhabitant equivalents (the volumes treated in these plants equate to 80% of the total waste water treated) and is calculated on the basis of the ratio between the concentration gauged for BOD, COD, TSS, ammoniac nitrogen and the related maximum concentrations permitted by law. Bologna's plant limits are different from the regulation: ammoniac nitrogen 25 mg/l; BOD 40 mg/l; COD 160 mg/l; SST 80 mg/l.

Data for purified water quality are in line with prior years with the exception of Rimini, which declined due to anomalous sewage in the network that compromised the Coriano plant performance in the latter part of the year (which has now been resolved).

The net improvement recorded in Bologna is partly related to new limits imposed from the current sewage authorisation at Bologna's wastewater treatment plant that includes the implementation of the nitrogen abatement system (48%) and partly to performance improvement of the plant (52%).

The primary improvement project in 2008 involved work on nitrogen abatement at the Bologna plant. This wastewater treatment plant, with its 900,000 inhabitant equivalents, is the largest wastewater treatment plant managed by Hera and support programmes underway will make a significant contribution to reducing nitrogen discharged into the environment. The restructuring work will conclude in 2011.

Work carried out at the Formellino (Faenza) wastewater treatment plant notably improved performance in terms of limits on nitrogenous forms.

Work is also underway to expand and adapt the Lugo (RA) plant to observe the regulatory limits for the nitrogen and phosphorous parameters. The plant's capacity is 270,000 equivalent inhabitants and the work will be completed in 2012.

The support programme for the Modena plant was partially concluded (separation of primary sedimentation tanks); change and adaptation of Line 1 will be completed in 2009.

Planning is being finalised for adaptation for compliance with total nitrogen limits for the Forlì plants (250,000 Inhabitant Equivalents – IE, work completed in 2010), Ceseantico (120,000 IE, work completed in 2010), Riccione (180,000 IE, work completed in 2011) and Modena (500,000 IE - work completed in 2010).

In total, adaptation projects are underway or in the planning stage in 40 wastewater treatment plants (limited to those with more than 2,000 inhabitant equivalents). Projects in the planning phase should result in this type of plant being adjusted to the provisions of Regional Resolution 2241/05.

Renovation of the Riolo Terme wastewater treatment plant

Work at Hera Imola-Faenza to adapt and enhance the wastewater treatment plant in the Riolo Terme municipality began in the Summer 2008 and will conclude in Spring 2009. This project is part of a multi-year support programme organized by Hera Imola-Faenza, in agreement with Waste and Water Regulatory Authority agency (ATO) 7, to adapt the wastewater treatment structures within the areas served and will have a cost of Euro 280,000 compensated through the water tariff. The goals designed by Hera Imola-Faenza's technicians are to adapt the municipality's wastewater treatment plant structure to national regulatory changes for wastewater treatment plants, improving its reliability, minimising the environmental impact and the safety of plant and personnel to limit risk of workplace accidents.

With regard to wastewater treated in small treatment plants serving suburban areas (fewer than 2,000 IE), plants often built several years ago which now receive higher levels domestic and industrial wastewater, various expansion and renovation measures are required.

The adaptation of these plants continues in observance of the investment plans put together by the Water and Waste Regulatory Authority agencies (ATOs), on the basis of the economic resources made available by the Tariff of the Integrated Water Service and the other restrictions of the area planning.

For smaller plants (less than 200 IE), the Province is already performing reviews to establish the intervention priorities and level of treatment.

New experimentation at the Hera Ravenna wastewater treatment plant

Three research projects are just getting started to improve the further “demolition” processes for pollutants that develop during wastewater treatment. At the Cervia wastewater treatment plant, 31 energy consumption gauges were installed in as many strategic points of the process, that give a punctual validation, even from remote work stations, aimed at identifying process optimisation opportunities and guiding future choices on the best technologies to stall. A fermenter was installed at Fusignano that is fuelled by specific selected bacteria and improves the process by reducing the oxygen needs and the amount of sludge to be extracted. A pilot co-digestion plant will be installed by Spring 2009 at the Bagnacavallo wastewater treatment plant for sludge and organic component of solid municipal waste. It involves a biodigester that can work at progressively differentiated temperatures and with matrices particularly rich in pollutants, recovering large quantities of biogas to produce energy and fertilising products.

Average concentrations for the year at the main plants (2008)

(mg/l)	Body of water receiving the treated wastewater	COD (limit: 125 mg/l)	BOD5 (limit: 25 mg/l)	TSS (limit : 35 mg/l)	Ammo niac nitroge n (limit: 15 mg/l)	Volumes treated (thousand s of m ³)
IDAR (Bologna)	Navile canal	36.2	7.0	10.6	11.2	48,138
Anzola (BO)	Scolo Sanguinettola	29.0	6.2	11.3	6.1	962
	Bassa or Scolo Lavinello					
Calderara (BO)	Scolo Dosolo	33.0	7.2	9.1	0.8	1,213
Ozzano (BO)	Rio Marzano	29.0	5.9	9.6	1.9	563
S. Giovanni (BO)	River Reno	39.4	6.5	14.4	3.9	649
Gramiccia Ferrara (FE)	Po di Volano	45.0	13.4	10.5	1.8	17,263
Cesena (FC)	Rio Granarolo	18.0	4.9	5.8	0.8	5,431
Cesenatico (FC)	Scolo Madonnina	33.3	8.6	8.9	1.8	3,550
Forlì (FC)	Scolo Cerchia	29.7	7.6	11.8	4.5	12,752
Savignano (FC)	River Rubicone	28.8	7.2	7.9	4.6	5,174
Faenza Formellino (RA)	River Lamone	67.3	8.9	21.9	0.9	6,548
Imola Santerno (BO)	River Santerno	35.7	3.9	46.5	2.9	5,749
Modena (MO)	Naviglio Canal	28.2	5.1	14.4	2.3	32,380
Ravenna (RA)	Cupa and Scolo Fagiolo	29.1	4.9	8.4	1.0	15,200
	Consortium canal					
Alfonsine (RA)	Scolo Sabbioni	38.6	3.2	6.9	1.4	3,156
Bagnacavallo (RA)	Scolo Cappuccine	27.7	4.0	7.1	1.4	1,180
Cervia (RA)	Cupa Consortium canal	25.6	2.4	3.9	2.2	5,466
Lido di Classe (RA)	Pergami canal	18.2	2.0	5.7	1.8	1,196
Lugo (RA)	Scolo Arginello	50.6	10.0	9.6	3.7	5,995
Marina di Ravenna (RA)	Scolo Piombone	28.6	4.4	11.5	0.9	1,261
Russi (RA)	Scolo Pisinello	22.2	1.8	4.3	0.6	1,483
Rimini Marecchiese (RN)	River Marecchia	22.9	5.5	7.4	4.7	10,598
Rimini S. Giustina (RN)	River Marecchia	29.5	6.4	7.5	1.1	11,961
Riccione (RN)	Rio Marano	26.2	6.5	8.5	2.3	5,962
Cattolica (RN)	Torrente Ventina	28.5	6.2	9.4	3.2	5,704
Bellarina Igea Marina (RN)	River Uso	28.4	6.2	9.8	7.5	2,775
Pesaro Borgheria (PU)	River Foglia	33.3	5.5	9.3	3.5	6,876
Total volume treated						219,185

The volume treated in the plants indicated in the table equates to 77% of total wastewater treated.

For the 26 largest treatment plants (selected from among those with treatment capacity greater than 10,000 inhabitant equivalents), the most significant parameters that characterise the wastewater treated are reported, in particular: COD and ammoniac nitrogen are indicators of the concentration of pollutants typically present in municipal wastewater, while BOD indicates the level of biodegradable pollutants.

The results of analysis for the parameters indicated do not show significant variations compared with previous years, and continue to be much lower than legal limits.

It should be noted that at the Imola Santerno plant, where there is a final lagoon, the SST limit is 150 mg/l and the values refer to filtered samples. In this plant, the apparent growth trend of SST is not statistically significant, as it is a parameter strongly connected to the state of the wetland system.

Constructed wetlands

The constructed wetlands process involves use of a third party purification system of biological ponds and of macrophytic vegetation with the function of a “filtration ecosystem”, enhancing the quality of already treated water.

In these systems, the role of plants is fundamental (hence, the term "wetlands") to remove some pollutants still existing, even if in a smaller measure, in the wastewater treated with secondary treatments: suspended solids, organic substances, nitrogen, phosphorous, viruses and bacteria, and heavy metals. In addition, constructed wetlands contribute to the reclamation of borderline areas, creating natural environments and landscapes that are pleasing to the eye, and are often chosen as refuges for various species of birds, amphibians and reptiles

Hera manages various constructed wetlands plants. The new plant in Gemmano (RN) was inaugurated in July 2008, with a capacity of 160 inhabitant equivalents. Also in 2008, a constructed wetlands plant was designed to be constructed in the S. Maria in Fabriago district (Lugo - RA). The plant, which will occupy a surface area of 5,000 sq.m., is designed to serve an inhabited area of 700 residents.

Atmospheric emissions

Atmospheric emissions generated by waste-to-energy plants

All the plants for the treatment and disposal of waste managed by the Hera Group are constantly subjected to analysis and monitoring so that all significant environmental aspects can be pinpointed and managed by means of best available technologies. These activities are conducted in full compliance with regulatory provisions. The environmental management systems adopted are certified by external agencies. A considerable number of initiatives are undertaken with the collaboration of many public institutions and supervisory bodies as part of our efforts to secure further scientific and statistical means and data dedicated to the provision of satisfactory plant performance ratings relative to environmental safety.

Control of waste-to-energy plants regards, firstly, process parameters and emissions impacting the air, water and soil, followed by an assessment of environmental emissions via an integrated approach. Within this context, prevention measures become a priority.

The main objective is pinpointing the best technological and management options for minimising, on the one hand, consumption of materials and energy, and, on the other, the environmental impacts of the entire process life cycle.

Atmospheric emissions generated by waste-to-energy plants

(t)	2006	2007	2008
Dust	4.8	4.8	4.4
Hydrochloric acid	5.0	4.6	3.9
Nitric oxides	469.0	464.2	395.6
Sulphur oxides	15.5	17.5	19.3
Carbon monoxide	35.9	34.9	48.8
Hydrofluoric acid	-	0.4	0.5
Total organic carbon	-	8.0	7.8
<i>Waste treated in plants (t)</i>	<i>597.582</i>	<i>593.668</i>	<i>622.022</i>
<i>Energy produced (MWh)</i>	<i>353.686</i>	<i>341.209</i>	<i>404.573</i>

The data are calculated using continuous measurement systems which are subject to the approval of the supervisory bodies at the moment of authorisation for operation of the plant. The procedures used by the single plant systems for collecting and calculating the volume of substances emitted are not completely standardised.

The performance for total atmospheric emissions from waste-to-energy plants is mainly influenced by start up of the new plants. The trend for total dust, hydrochloric acid and nitric oxide emissions continues to decrease, even with the 5% increase in treated waste. The different construction characteristics of the new production lines has resulted in notable improvements for many pollutants, in particular for the most critical, such as nitric oxide.

Comparing quantities of substances emitted into the atmosphere with quantities of disposed waste results in specific emissions for various pollutants. In 2008, Group plants produced 635 g/t of nitric oxide, 562 g/kg of carbon dioxide, 31 g/t of nitric oxides, 7.1 g/t of dust, 6.3 g/t of hydrochloric acid and 78.4 g/t of carbon monoxide.

Concentrations of atmospheric emissions of waste-to-energy plants (2008)

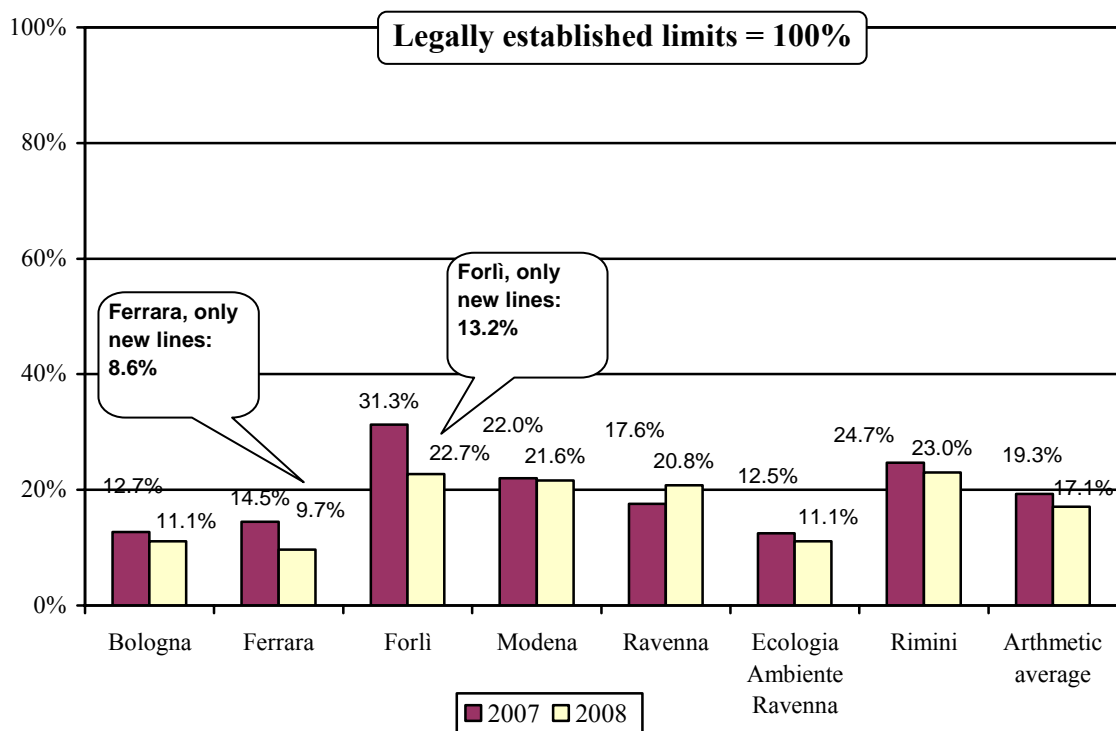
(mg/Nm ³)	Legal limits Leg. Decree 133/2005	Bologna	Ferrara	Forlì	Modena	Ravenna	Ravenna Ecologia Ambiente	Rimini
Dust	10	0.4	0.4	2.7	0.7	2.5	0.4	1.9
Hydrochloric acid	10	0.0	0.4	2.0	1.0	0.2	0.3	3.7
Nitric oxides	200	67.0	55.1	83.5	179.0	164.4	79.9	150.9
Sulphur oxides	50	4.1	2.3	5.5	1.5	0.2	5.0	4.8
Carbon monoxide	50	12.1	9.5	2.5	4.0	12.1	3.4	3.5
Hydrofluoric acid	1	0.0	0.0	0.3	0.2	0.0	0.1	0.0
Total organic carbon	10	0.6	0.4	2.5	1.1	0.8	0.4	1.1
Total metals	0.5	0.02	0.03	0.04	0.00	0.04	0.04	0.04
Aromatic polycyclic hydrocarbons	0.01	0.00005	0.00059	0.00070	0.00007	0.00071	0.00064	0.00068
Dioxins and furans (ng/Nm ³)	0.1	0.010	0.010	0.015	0.002	0.055	0.012	0.022
Cadmium and	0.05	0.00022	0.00048	0.00042	0.00050	0.00030	0.00010	0.00051
Thallium	0.05	0.001	0.000	0.001	0.011	0.001	0.000	0.005
Mercury	0.05	0.001	0.000	0.001	0.011	0.001	0.000	0.005

The legally established limits refer to Legislative Decree 133/2005. For dust, hydrochloric acid, nitric oxides, sulphur oxides, carbon monoxide, hydrofluoric acid, and total organic carbon, the values correspond to the average continual measurement and the limits correspond to average daily. For all other components, the values correspond to the average of periodic measurements and limits refer to each individual measurement. The new lines at Ferrara and Forlì continuously measure mercury levels.

The various Hera Group waste-to-energy plants fully observe the limits laid down by current legislation. On average, the concentrations of atmospheric emissions of the waste-to-energy plants amount to 17% of the legally established limits for continuously-monitored parameters, which means that the concentrations are 83% lower compared to the legally allowed level.

Significant improvements in the results were obtained with the completion of new plants, as can be seen with the results for the Ferrara and Forlì plants that started up in 2008.

Atmospheric emissions from waste-to-energy treatment plants compared to legally established limits of Leg. Decree 133/2005 – continuously monitored parameters (optimal values < 100%)



The same indicator was calculated for the four plants in reference to the authorisation limits, which are more stringent than Italian regulations. The data are displayed in the table below. In this scenario, the results are, once again, excellent: the concentrations are, on average, 88% lower compared to the more restrictive limits.

Atmospheric emissions from waste-to-energy treatment plants compared to authorisation limits – continuously monitored parameters (optimal values < 100%)

%	2006	2007	2008
Bologna (FEA) waste-to-energy plant	27.7%	18.6%	16.0%
Ferrara waste-to-energy plant			9.1%
Forlì waste-to-energy plant			12.1%
Ravenna (Ecologia Ambiente) waste-to-energy plant	16.4%	14.9%	13.0%
Total	22.0%	16.8%	11.8%

For the Forlì plant, the limits of Legislative Decree 133/2005 and as provided for by the Integrated Environmental Authorisation for 2008.

Relative to the parameters in Legislative Decree 133/2005, and excluding continual monitoring, Hera Group has carried out 547 samples, in full compliance with the individual plant authorisations, a considerably higher number than what is provided for in national regulations.

Hera plants complied with the authorisation limits relative to amounts and types of waste treated in 2008. For the Ferrara plant, the limit in the Integrated Environmental Authorisation regarding amount of treatable special waste was annulled for 2008 based on a Regional Court Administration judgment that allowed disposal of 57,000 tonnes of special waste.

Increasing transparency in Hera waste-to-energy plant emissions

Since the beginning of 2008, anyone can consult the Group's website to find daily emissions from Hera's waste-to-energy plants (average values for the previous day). This service was gradually expanded over the year to also include "half-hourly averages": every half hour the on-line data are updated with the average value recorded over the prior 30 minutes, with data being sent directly from the detection systems, operational on a 24/7 basis in all plants (the Group's waste-to-energy plants are located in the provinces of Ferrara, Forlì, Modena, Bologna and Rimini).

As a further guarantee of transparency, Hera commits to :

- daily or weekly reporting of the half-hour and daily averages to the control agency (ARPA);
- yearly reporting on the plant's operations, by 30 April every year, to the competent authorities (Provinces) and control agency (ARPA);
- if the plant is EMAS certified, the control results are published upon formalisation of the "Environmental Declaration";
- for the Ferrara plant, make quarterly reports available to RAB;
- publish annual data in comparison with legally established limits and AIA limits in the Group's Sustainability Report.

The Monitor project

Hera has joined the Monitor project launched by the regional Environment and Sustainable Development and Health Policies Inspectorate Offices, in collaboration with local authorities and ARPA. This project aimed to achieve a control and awareness system within the three-year period 2007 - 2009 capable of permitting the periodic disclosure to citizens of all the information available on waste-to-energy emissions and on any environmental and health risks associated with the same.

Systems for monitoring pollutant emissions in new plants

Since 2002, Hera has engaged in a modernisation and expansion plan for its waste-to-energy plants that is about to conclude.

At the end of this modernisation programme, the Group's waste-to-energy treatment capacity will increase by one million tonnes per year with an increase of 30% compared to the initial capacity. The new technologies adopted for energy recovery systems in the new plants will increase energy efficiency, doubling the energy produced and the electric power installed.

The electric power installed at the end of the programme will be 105 MW (comparable to a small-to-medium thermoelectricity station) with a production capacity of almost 600,00 MWh per year (equal to the annual consumption of about 200,000 households).

One of the principal objectives of the modernisation plan is to reduce to a minimum the environmental impact of these plants.

All of the new plants were planned and constructed in compliance with EU and national BAT (Best Available Techniques) regulations, and are equipped with even better systems both in terms of emissions abatement as well as continuous measurement and control of emissions.

In addition, for all plants the Environmental Impact Assessment was applied, which preventively sanctioned the compatibility with the surrounding environment. The

Integrated Environmental Authorisation was also applied, which verified, in terms of planning and operations, the effective correspondence and veracity of the hypotheses contained in the Environmental Impact Assessment.

Each plant has various systems to control the environmental impact of the emissions that can be summarised as follows:

- process controls: the various wastewater treatment systems continuously measure the concentration of various pollutants both upstream and downstream as evidence of the effective functionality of each individual wastewater treatment phase;
- continuous control of chimney emissions: in addition to the parameters included in current regulation, Hera also voluntarily added continuous measuring systems for mercury and continuous dioxin sample systems;
- timely controls of the chimneys, at fixed dates, for those parameters which cannot be continuously monitored;
- controls on soil fallout of the pollutants: through external monitoring programmes in collaboration with the University and research agencies, deposition analyses are performed on soil, ground and vegetation etc., in order to ascertain that the emissions, in addition to being within the legally established limits, does not have any significant impact on the surrounding environment.

The emissions of the new Ferrara waste-to-energy line

The Ferrara plant became fully operational in 2008, allowing us to verify and confirm emissions performance which had already been demonstrated in the initial start-up phase in 2007.

The value of the technical choices made were emphasised by the continuous monitoring of emissions and periodic analytic controls, performed by outside laboratories every 15 days, that showed emissions levels which were much lower than the regulatory limits, the operating limits defined in the national and EU guidelines that identify the best available techniques for waste incineration and the more restrictive limits established by the Integrated Environmental Authorisation (AIA) issued by the Ferrara Province in March 2008.

These are the main results:

- the nitric oxide emissions were, on average, 71% lower than AIA limits and 78% lower than regulatory limits;
- mercury emissions were, on average, 99% lower than AIA limits and national regulatory limits;
- PM10 was 91% lower, on average, than AIA's established limits. PM10 does not have any established limits or measurement requirements in national and European regulation;
- heavy metals emissions were 94% lower than the AIA limits and 97% lower than the national regulatory limits;
- controls on dioxin and furan emissions recorded levels that were 98% lower than AIA limits and 99% lower than national regulatory limits.

In addition, in analysing the average emissions values recorded through the present, it is clear that the new plant's operation has not resulted in increases in environmental

pressure in the area compared to the operations of the two previous plants (Line 1 at Canal Bianco and Conchetta), despite the fact that the waste treatment has doubled.

As part of the issue procedure for Integrated Environmental Authorisation, a specialised, conservative study was conducted to identify the average emissions levels to which the newly-operational plant must comply so that the environmental pressure in the area does not increase. Comparing those levels with the average chimney measurements, compliance with the set limits was established. This objective can be considered met also by considering the pre-existing reference environmental pressure generated only by Line 1 of Canal Bianco. With regard to polycyclic aromatic hydrocarbons (PAH), it should be noted that the average values reported in the table below, in accordance with ISTISAN Directive no. 0415, are calculated based on 50% of the detection limit of the laboratory instruments used, which in this case is higher than the objective levels. None of the PAH samples taken have ever exceeded the instruments' detection limit.

Parameter	Unit of measure	Objective Level (Canal Bianco + Conchetta)	Objective Level (Canal Bianco)	Average emissions measured
Nitric oxides	mg/Nm ³	80	80	44.05
PM10	mg/Nm ³	2.4	0.8	0.0914
Metals	mg/Nm ³	0.04	0.02	0.0166
Cadmium+Thallium	mg/Nm ³	0.002	0.001	0.000755
Mercury	/Nm ³	3.4	0.8	0.55
Dioxins and Furans	mg/Nm ³	0.025	0.019	0.000963
IPA	/Nm ³	0.03	0.03	0.09

The table below reports data on mass flows of the primary pollutants. A positive situation is evident, given the fact that 2008 data include emissions data from the old Line 1, which was no longer in operation after April.

Parameter	Unit of measure	Pre-existing situation Line 1 Canal Bianco (1)	Pre-existing situation Line 1 Canal Bianco + Conchetta (3)	AIA 11-Mar-2008 Line 2 + Line 3 (2)	2008 Emissions Waste-to-energy plant Canal Bianco (4)
Nitric oxides	tonnes/year	28.47	53.78	70	39.8
Total dust	tonnes/year	0.36	1.31	1	0.35
Cadmium+Thallium	kg/year	0.57	1.17	22.4	0.52
Mercury	kg/year	0.36	1.52	22.4	0.51
Metals	kg/year	9.18	18.95	336	14.257
Aromatic polycyclic hydrocarbons	g/year	11.74	12.41	5600	202
Dioxins and Furans	mg/year	8.54	12.31	56	2.5
Total organic carbon	tonnes/year	Not declared	Not declared	2.8	0.38

1) Supplementary documentation data/Report 1/Extension of the emissions valuation 13 February 2008

2) AIA data 11 March 2008, authorised mass flows and calculated based on authorised concentrations

3) Supplementary documentation data/Report 3/Extension of the emissions valuation 13 February 2008

4) Mass flows measured in 2008 (line 1, functional through April + Line 2, operational beginning in January + Line 3, operational beginning in March).

The new Forli plant, which has been operational since August 2008, also confirms the optimal performance achieved in the Ferrara plant.

Atmospheric emissions generated by district heating

Atmospheric emissions generated by district heating

(t)	2006	2007	2008
Nitric oxides	118.7	115.3	135.8
Carbon dioxide	124.957	115.141	116.280
Sulphur oxides	4.4	2.6	0.0

In 2008, the estimation coefficients for emissions were updated to conform with changes in the mechanisms from the Emission Trading regulation.

The increase in nitric oxide emissions is connected partly to higher production and partly to changes in the estimation parameters, that were updated to reflect changes in the Emissions Trading regulation. The increase in carbon dioxide (+1%) is a result of higher fuel usage; the primary use of the geothermal source has, however, reduced the effect. Note the complete elimination of sulphur oxides., as a result of replacing fuel oil boilers in Bologna.

In 2008, the district heating plants produced 569 GWh of electricity and thermal energy. The ratio between the quantity emitted and the energy produced provides a measure of specific emissions. 239 grams of nitric oxides were emitted in 2008 for each megawatt-hour of energy produced and 204 grams of carbon dioxide for every kilowatt-hour.

Atmospheric emissions generated by district heating (2008)

(t)	Nitric oxides	Carbon dioxide
Bologna	64.9	54.383
Ferrara	24.0	19.182
Forli-Cesena	8.1	5.633
Imola-Faenza	28.4	28.760
Modena	9.7	7.726
Ravenna	0.7	595
Total	135.8	116.280

Corporate vehicle fleet

Fleet (No. of vehicles)

(No.)	2006	2007	2008
Diesel	1,203	982	1,964
Petrol	1,035	1,044	930
Methane	339	385	476
Biodiesel (25%) and Diesel (75%) mix	348	704	0
Electric powered	73	61	68
Total	2,998	3,176	3,438

Non-circulating vehicles being disposed of were not included.

Over the last years, Hera has gradually introduced in its fleet vehicles diesel engines that are fuelled by a mix of 75% diesel and 25% organic fuel. As of the end of 2007, 704 vehicles were powered by this new type of fuel.

Progressive application of regulations that contain obligations for diesel producers regarding emissions with a portion of biodiesel in automotive fuel has caused significant problems with market availability that, together with technical problems from the use of the high 25% portion of biodiesel in Euro 5 vehicles, has forced the Group to abandon its voluntary decision and adopt the standard mix available in the distribution network. In 2008, the legal requirement was 2%, at the beginning of 2009 it increased to 3% and the sanction system for oil producers is operational as provided for by the Ministry of Economic Development Decree 23 April 2008, no. 100.

Therefore, the Group redirected its decision to adopt vehicles using low environmental impact fuels toward methane. For 2009, 70% of new vehicles purchased must be powered by methane, GPL, or electricity.

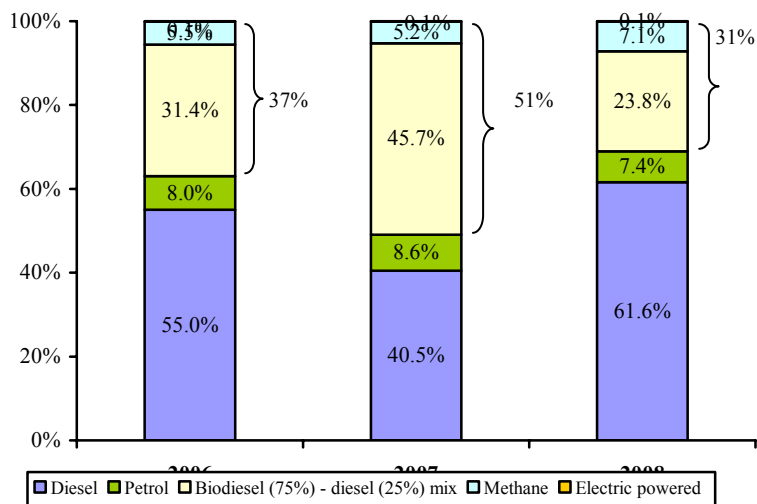
Hera signed an agreement in 2008 with the Modena ATCM (Association of Town Centre Management) and the Modena's mobility agency to develop a methane distributor for the public transportation of that city. The investment is Euro 3 million, of which Euro 1.2 million is provided by the Ministry of Environment, and the remainder from the mobility agency; Hera is managing the planning and tender bids for construction work, with the objective of finishing the replenishment station by 2010.

At the end of 2008, two new side-loading automatic waste compactors powered by methane and equipped with an innovative motor were tested with success, reducing methane consumption by 6% as well as having 6% lower carbon dioxide emissions, compared to those for methane vehicles that have been in use for several years. This

solution will be adopted for future Group purchases. Currently Hera Group uses 16 methane automatic waste compactors, orders were issued for 7 methane automatic waste compactors that will operate in the Modena municipality and use in the Forli municipality has already begun.

In 2009, a feasibility analysis will be performed for further use of side-loading automatic waste compactors powered by methane, specifically for the urban area of the provincial capital cities.

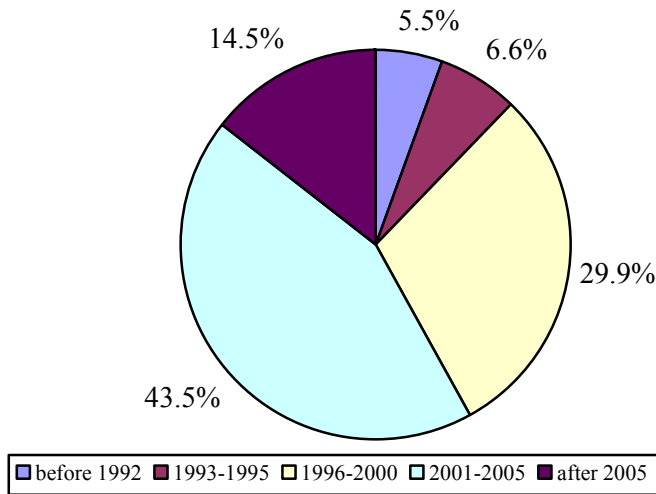
Fuel consumed by vehicles



The comparison between the various types of fuel has been made, considering the primary energy present in the single fuels calculated using the GRI method.

As detailed above, low environmental impact fuel consumption (calculated in terms of primary energy contained in the fuel expressed in GJ) declined to 31% of the total in 2008. Excluding Marche Multiservizi, this percentage came to 27.9%, compared to 46.2% in 2007. In addition to reduced use of the mix of 75% diesel and 25% biodiesel, the use of methane increased 52% from 2007. Excluding Marche Multiservizi, as at 31 December 2008, the average vehicle age was 8.2 years.

Breakdown of the vehicles by year of registration



Data do not include Marche Multiservizi. The classes into which the vehicles have been divided up refer to the year of registration and the European Directives (Euro 1, Euro 2, Euro 3, Euro 4).

Mobility management

In 2008, action continued for reducing the environmental impact (traffic, atmospheric emissions, noise, energy consumption, etc.) of the commuting of Group staff. A specific section of the company Intranet, containing information on the concessions existing at the offices where the Group companies, in close connection with the local authorities, has launched actions aimed at encouraging reduced use of private vehicles. In addition, a software has also been identified and customised for encouraging car pooling, in other words, the practice of giving a lift to other colleagues who live in the vicinity of one's journey to and from work. This tool was made available to all Group employees in March 2009, and also includes training and management of crew for work travel.

Action also continued for supporting public transport and the use of bicycles, targeted at those who live near the Berti Pichat and Frullo Bologna premises. In 2008, more than 188 staff members took advantage of special conditions for a 50% discount on the purchase of yearly bus and train tickets (+ 50% compared to 2004). The Stazione Centrale (Central Station) - Berti Pichat - Frullo corporate shuttle bus, which runs four times a day and is free for all workers, is used on average by twelve individuals a day (+ 29% when compared with 2006) for commuting purposes, and is also available for work-related trips between the two premises. For the use of bicycles, 52 special conditions were offered (up to a maximum payment of Euro 50 per person for the purchase of a bicycle and accessories or for maintenance).

Yearly monitoring data of the Hera headquarters in Viale Berti Pichat reveal that, between 2003 and 2008, the number of cars used for commuting per 100 employees has fallen from 74 to 62, a reduction of more than 17%, and despite the increase in the total number of employees from 864 to 929, a decrease estimated at around 450,000 km travelled per year.

Other programmes were initiated in other areas. In the offices in via Casalegno in Imola, a maximum contribution of Euro 50 per year was proposed to reimburse expenses for purchasing or maintaining a bicycle, for employees that make at least 80 bicycle

commutes in a year. 23 workers participated in 2008, of whom 17 made more than 80 bicycle commutes. The finalisation of the analysis on Group employee commuting at the main offices in Rimini and Ferrara has resulted in some first actions being proposed, such as redefining parking spaces and geo-referencing employees residences in Rimini, and participation in a territorial project in Ferrara.

Greenhouse gas emissions

International agreements (the Kyoto Protocol above all) and EU Directives agree on the intention of controlling and progressively decreasing atmospheric emissions of greenhouse gas, which is capable of holding infrared radiation from the sun, thus increasing the quantity of thermal energy trapped within the earth's atmosphere.

These substances are generated through the process of oxidation of carbon; nonetheless, if the carbon originates from biomass, this has no effect on the global balance, while if the carbon is of fossil origin, it produces an increase in greenhouse gas once it is oxidised and emitted into the atmosphere. The greenhouse gas emissions of the Hera Group plants are evaluated based on this principle, taking into account the fact that methane has a greenhouse effect which is 21 times greater than that of carbon dioxide.

For example, composting has no effect, as it only oxidises carbon from carbon dioxide biomass. On the contrary, landfills, even if the biodegradation process acts almost entirely on just the biomass, generating methane, in addition to carbon dioxide, has a significant greenhouse effect.

Kyoto Protocol compliance ratings

Plant	Power (MW)	Type	2006	2007	2008
ACER Barca (Bologna)	28.8	Thermal power	76%	97%	121%
ACER Pilastro (Bologna)	32.8	Thermal power	277%	234%	561%
COGEN (Bologna)	32.6	Thermoelectricity co-generation and thermal power	62%	52%	91%
Ecocity (Bologna)	34.3	Thermoelectricity co-generation and thermal power	84%	86%	184%
San Giacomo (Bologna)	25.3	Thermal power	127%	114%	143%
Montericco (Imola)	40.4	Thermoelectricity co-generation and thermal power	88%	72%	45%
Canal Bianco (Ferrara)	92.0	Thermal power	105%	103%	106%
Ecologia Ambiente (Ravenna)	24.3	Waste-to-energy plant	108%	91%	-
SAFTA plant (Piacenza)	41.3	Co-generation plant		38%	47%
Berti Pichat plant (Bologna)	23.0	Co-generation plant			100%
Casalegno plant (Imola)	215.1	Co-generation plant			100%
Media			86%	64%	70%

The Kyoto protocol compliance rating (%) indicates real emissions divided by permitted quantities. A value over 100% indicates that the level of authorised emissions has been exceeded.

There are 10 Hera Group plants authorised to emit greenhouse gas on the basis of Emission Trading legislation, involving total installed power of 565.6 MW. The authorised emissions for these plants was 141,951 tonnes in 2008. The Ecologia Ambiente plant was not included in the National Allocation Plan 2008-12.

Two new authorisations were issued in 2008 for the Berti Pichat plant in Bologna and the Casalegno plant in Imola.

Limiting the comparison to the seven plants present in all three years, a reduction of CO₂ emissions over the period was noted, due mainly to the climate trends given that these plants are almost all related to district heating.

In 2007, a number of changes were made to the ACER Barca and ACER Pilastro plants which are now fuelled by methane gas instead of fuel oil. The COGEN and San Giacomo plants also saw the replacement and installation of new, more efficient boilers. The start-up of two new co-generation plants resulted in an increase in CO₂ emissions in absolute terms, compared with a reduction at the older plants due to greater total efficiency of the system.

In the upcoming years, when the two new plants in Bologna and Imola are operational, energy efficiency of the relative integrated district heating systems will increase as the thermal energy recovery replaces heat previously produced with gas boilers. As the two new waste-to-energy treatment lines in Ferrara become operational, the use of integration gas boilers will diminish, improving total efficiency.

Total greenhouse gas emissions amount to 1,462,189 tonnes. The main source of emissions are the landfills, losses in the gas network and waste-to-energy plants. Indirect emissions from electricity consumption were 232,716 tonnes.

The components are, in detail:

- landfills: methane from biogas which is given off by the landfill matter, plus carbon dioxide from the combustion of tapped biogas;
- waste-to-energy plants: carbon dioxide from the combustion of waste, from which the portion corresponding to biodegradable substances was removed;
- district heating and office heating: carbon dioxide from the combustion of methane, with methodological application of the calculation set forth by Emission Trading.
- gas leaks: calculated as the difference between the methane input into Hera stations and the methane invoiced to customers; thus, this calculation includes real losses (due to breakage of pipes) and administrative or apparent losses (errors in meter measurement, errors in estimates of consumption at 31 December);
- motor vehicles: carbon dioxide from the use of fuels.

Landfill emissions were estimated using a mathematical model based on the amount of waste disposed in eleven landfills in each year, type, composition and biodegradability of waste and amount of tapped biogas.

Waste-to-energy plant emissions were based on direct chimney measurements. For district heating, heating of premises and electricity consumption are calculated using coefficients provided in the Emissions Trading regulation, while emissions for motor vehicles and gas network leaks are calculated using coefficients from readings.

Waste collection

The Hera Group is a major player in the field of municipal waste management. Waste management is conducted by local operators in Italy on the basis of concessions lasting on average approx. 10 years. Hera manages integrated service (collection and treatment/disposal) in 6 provincial ATOs (Water and Waste Regulatory Authorities) in Emilia-Romagna and a portion of the Florence ATO in Appennino Toscano, for a total of 132 municipalities with more than 2.6 million inhabitants served. In addition, the commercial operations of 9 municipalities are managed (only collection services), including two in the Marche area and seven in the province of Modena; through Marche Multiservizi, 31 municipalities in the Pesaro and Urbino province are served. In total, Hera served 172 municipalities in 2008.

The area covered by Hera is characterised by higher assimilation and thereby has the highest annual per capita municipal waste production rates in Italy: Emilia-Romagna's waste production rate was 673 kg per inhabitant in 2007 vs. the Italian average value of 546 kg in 2007 (ISPRA 2008 Waste Report).

Sustainability in the agreement between Hera Modena and large-scale retailers

After the partnership initiated in with Coop Estense, Nordiconad has also signed a voluntary agreement with Hera Modena and the Municipality of Modena to develop sustainable development actions and best practices for the environment, including separate waste collection and initiatives to reduce waste and packaging, with informational campaigns for both Nordiconad employees and customers. To incentivise use of drop-off points, both fixed and mobile, the invoice discount system for environmental hygiene will be integrated with Conad loyalty points.

The non-separate and assimilated waste collection service consists mainly in bin emptying. The bins are distributed throughout the area served, and the collection service is mainly carried out using side-loading automatic waste compactors. Waste from separate collection are sent to final disposal, directly or following temporary storage in transfer stations or at mechanical-biological treatment.

Temporary storage enables optimised transport to disposal plants, while mechanical-biological treatment reduced the quantity and improves the quality of waste sent to the landfill.

The Hera integrated waste management system (WMS)

The organisational model for Hera's separate waste collection system is characterised by:

- collection via bins distributed throughout the area, primarily aimed at municipal waste, recycled and non-recycled, produced by domestic users and small, non-domestic users.
- a door-to-door separate waste collection service for manufacturing and commercial businesses, for specific waste or in particular urban areas;
- 140 collection centres, complementary to the other systems, and which complete the services provided to businesses and targets which are not served through the other systems.

The objective of this model is to achieve high performance while maintaining economic sustainability and limited impact on residents' tariffs. In other areas, such as, for example, Ravenna province and some municipalities in the Bologna and Modena province, achieved 50% level of separate waste collection. Convergence to advanced WMS systems, for example the Isole Ecologiche di Base model, groups of bins for placing waste that is not separately collected, as well as separate waste collection, are being studied and tested and with even higher objectives for results.

Municipal waste collected

thousands of t	2006	2007	2008
Separate waste collection	488.0	553.5	664.0
Non-separate waste collection	1,123.6	1,116.9	1,102.3
Total	1,611.6	1,670.5	1,766.3
Kilograms per inhabitant	686	673	670

In 2008 there was a 6% increase compared to the prior year for separate waste collection, mainly due to changes in the managed municipalities: inclusion of municipalities previously managed by Sat in Modena and municipalities previously managed by Megas in Pesaro-Urbino. On a like-for-like basis, the municipal waste collected, net of non-reusable fractions from shorelines, was substantially unchanged compared to 2007 (+0.3%). Per capita data show a 2.4% reduction in 2008 compared to 2006 for the entire area served.

Municipal waste collection (breakdown by Territorial Operative Companies)

(t)	2006	2007	2008
Hera Bologna	380.6	378.0	373.2
Hera Ferrara	96.2	93.2	92.6
Hera Forli-Cesena	263.1	260.9	269.3
Hera Imola-Faenza	131.5	134.5	138.4
Hera Modena	236.4	215.1	268.0
Hera Ravenna	236.9	231.1	238.2
Hera Rimini	267.0	256.1	258.9
Marche Multiservizi		101.5	127.9
Total	1,611.6	1,670.5	1,766.3

The increase in waste collected in Rimini due to increase in waste from non-reusable fractions from shorelines. In Ravenna, there was an increase in "green" waste related to a special pruning project in the Cervia pine forest and to the inclusion of new users in Lugo (RA). The increase in waste in Forli-Cesena is attributable to assimilation of organic waste and "green" waste.

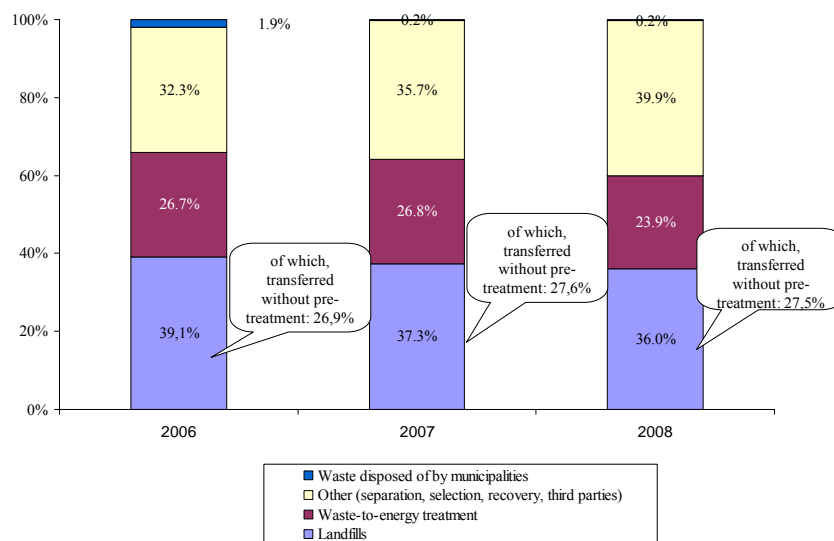
For Hera Modena and Marche Multiservizi, the change is due to the increase in the area served for a total of 88,972 tonnes.

A USB flash drive to confer the "right" amount of waste

Hera, in collaboration with the University of Bologna campus in Rimini, Litcar Laboratory and Emz company, launched, in Poggio Berni, in Rimini province, a trial of

separate waste collection using bins containing a cap with a USB flash drive customised for each user that measures and assigns the transfers using a code. The small cap, which is opened by inserting the USB flash drive, encourages the emission of small quantities of waste not separately collecting, thereby promoting separate waste collection. In the first six months of the trial, separate waste collection reached 60% in the municipal area (compared to 32.6% in 2007).

Municipal waste collected (breakdown by destination)



The percentage of urban waste collected by Hera and disposed of in landfills is lower compared to 2008, consistent with the 2010 objective. The decline in waste-to-energy plant waste relates to lower efficiency in the Rimini plant, where the old production lines were removed for the construction of the new line, which was not offset by higher efficiency in Ferrara and Forlì.

Consistent with the increase in separate waste collection, there was also an increase in waste sent for selection or recovery, while the increase in separation is also due to the fact that the authorisations of some disposal plants allow the plant to be used only following separation of waste from bins.

Excluding Marche Multiservizi, the percentage of waste disposed of in landfills without pre-treatment came to 24.4%. This value rose to 27.5%, including Marche Multiservizi, which disposes of 67% of municipal waste in landfills.

During 2008, the portion of pre-treated waste disposed of in landfills came to 36.0% (including Marche Multiservizi) compared with an Italian average of 46.7% (ISPRA 2008 Waste Report). If Marche Multiservizi is excluded, the portion declines to 33.5%. It is believed that the implementation of the plant development plan will permit Hera to reduce the portion of municipal waste directly disposed of in landfills by 15% by the end of 2010, and at the same time increase separate collection and waste-to-energy treatment.

Separate waste collection

With regard to separate waste collection, the Group carries out both single materials collection (paper, glass, plastic, humid fraction, batteries etc.) and mixed materials collection (dry fractions). Over the last few years, levels for separate waste collected have risen. This enables more efficient treatment following collection, also in terms of economic use (recovery of materials and energy). It also reduces landfill, thereby limiting the environmental impact.

Number and volume of separate waste collection bins

	2007	2008
Number of bins (no.)	94,406	130,897
Bin volume (m ³)	125,299	1

Figures exclude Marche Multiservizi

The implementation of the WMS system and its evolution with the IEB project resulted in a marked increase both in terms of number of skips (bins, “igloo” bins, drums) for separate waste collection available to residents, and in terms of total volumes of the skips. Compared to 2007, the containers increased by 30%, excluding the 2,901 bins already in place in the former Sat area and 1,981 in the ex-Megas area. The volume increased by 22% compared to 2007, excluding the former Sat and Megas areas, with the most consistent increases in the Hera Modena, Hera Bologna and Hera Forli-Cesena areas.

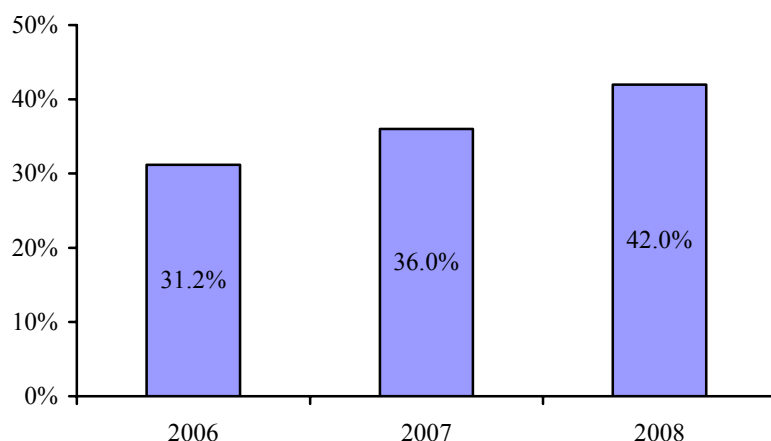
Contextually, in order to achieve higher efficiency in services, Hera Group reduced the number and volume of bins for separate waste collection; the total volume reduction was 54%.

An additional separate waste collection system was implemented through the Collections Centre. In the areas in which Hera operates, there are 140 Collection Centres, 9 of which were constructed and 5 expanded in 2008. These points which are also called equipped drop-off points, are dedicated areas with bays and containers, open to the general public, for users to drop-off specific types of waste, which are then collected for suitable recovery or disposal.

Great success in domestic composting in Ferrara

In the two years since the Hera Ferrara “domestic composting” project was started, Hera Ferrara has distributed free-of-charge more than 1,000 composters to residents. The spread in domestic composting is the result of an awareness programme promoted by Hera, the support of the Districts, and greater attention to environmental issues by Ferrara residents. The use of this best practice limits waste production through self-treatment, there is a 15% discount of the variable portion of the environmental hygiene tariffs. Considering the estimate of 250 grams per day per person of treated waste in domestic composters, we were able to avoid collection and treating more than 270 tonnes of organic waste in Ferrara in 2008.

Separate waste collection



The percentage is calculated excluding waste from shorelines. The calculation of separately collected waste also includes similar waste transferred by manufacturers for recovery and separately collected waste from third parties or directly from municipalities. Up to 2007, the separate waste collection level was calculated while taking into account the “progetto di DPCM sulla raccolta differenziata del 5/6/97” (prime minister’s decree on separate waste collection project of 5/6/97) which takes from the total of separate waste collected “a 10% quota corresponding to street sweeping waste, since it cannot be recovered in any way”. The calculation criteria for 2006 and 2007 were aligned with those of this year.

From 1997, the year that the Ronchi Decree took effect, through 2008, the companies that form Hera Group increased the average percentage of separate waste collection from 11% to 42%. In the three years under review, separately collected waste from third parties represented around one third of the increase in separate waste collection. Excluding Marche Multiservizi, separate waste collection comes to 42.4%. In Italy, separate waste collection in 2007 came to 27.5% (ISPRA 2008 Waste Report).

Separate waste collection (breakdown by Territorial Operative Companies)

%	2006	2007	2008
Hera Bologna	27.4%	29.8%	36.0%
Hera Ferrara	37.7%	40.1%	43.1%
Hera Forlì-Cesena	30.2%	37.5%	42.8%
Hera Imola-Faenza	30.7%	34.1%	41.4%
Hera Modena	34.2%	36.6%	44.5%
Hera Ravenna	44.9%	46.3%	50.2%
Hera Rimini	27.4%	35.0%	41.5%
Marche Multiservizi		33.1%	36.4%

The percentage is calculated including the quantities of waste deriving from road sweeping, and excluding the waste from the shore. The calculation of separately collected waste also includes similar waste transferred by manufacturers for recovery and separately collected waste from third parties or directly from municipalities. The differing criteria for assimilation laid down by the Water and Waste Regulatory Authorities and municipalities may be responsible for quota differences from one area to the next.

Separate waste collection (breakdown by waste type)

thousands of t	2006	2007	2008
Paper and cardboard	98.3	120.5	149.2
Green waste	85.0	94.3	112.9
Glass	48.0	63.3	75.9
Organic waste	45.1	54.9	71.9
Plastic containers	11.1	16.4	30.5
Mixed materials	79.7	77.8	77.0
Bulky	35.9	37.5	41.6
Other	84.8	88.8	105.1
Total	488.0	553.5	664.0
Kg per inhabitant	212	226	251

In 2008 we collected 251 kilograms of separate waste per inhabitant, an 11% increase compared to the 226 kilograms collected in 2006. Hera data for 2008 are higher than the data for Northern Italy (228.8 kilograms per capita in 2007), for equivalent percentage of separate waste collection (42.4%, source: ISPRA 2008 Waste Report).

Material targeted for recovery (2008)

thousands of t	From non-separate waste collection	From separate waste collection	Total
Total waste collected	1,102	664	1,766
Total waste targeted for recovery	122	620	742
% of waste targeted for recovery	11.1%	93.3%	42.0%

Much of the material from separate waste collection must be discarded and earmarked for disposal insofar as it is mixed in with other waste and cannot be separated from it by the normal techniques adopted. Within mixed materials, the percentage of material which cannot be recovered reaches up to 50% of the waste collected.

In terms of the effective recovery of material, single material collection (paper, glass, metal) has an insignificant portion of material which cannot be recovered. A significant part of the non-recoverable share is made up of plastic, which requires selection in order to fall within the limits of the Consortium for Recovery of Plastic Packaging Materials (COREPLA).

Bologna wins second place at the National "Cartoniadi"

Between 15 November and 15 December, Bologna, Milan, Florence, Rome, Reggio Calabria and Palermo hosted the "Cartoniadi", the National Olympics for Separate Waste Collection for paper and cardboard, sponsored each year by Comieco. Bologna won 2nd place, with 198 tonnes of paper and cardboard collected separately by the residents of the Borgo Panigale zone, 266% more than the same period last year.

Waste disposal

National and EU regulations define principles and priorities for waste management, from minimising waste as the source to material recovery, energy recovery and, only as last resort, the disposal in landfills.

Hera manages, directly or through subsidiaries, a pool of more than 70 unique plants in Italy that allow us to both fully and appropriately respond to the EU and Italian principles for waste management as well as participate in the entire waste management cycle.

The Group's plant pool includes storage and initial pre-treatment plants, plants for selection and recovery of dry material, plants to recover the organic portion through composting, and waste-to-energy plants with high energy recovery.

Given that all of these plants generate through their recovery activities non-reusable by-products (the so-called non-reusable fractions, combustion waste, dust from purification fumes, leachates, etc.), other types of plants are fundamental. Landfills function as final disposal. The chemical-physical treatment plants for liquid waste allow purified water to be returned to the environment (through biological purification) while special plants for solid waste treatment stabilise hazardous waste.

Hera manages all these types of plants, supplying integrated waste management.

The treatment and stabilisation plant for biological sludges is launched

To reduce final disposal in landfills and accelerate the related refilling, in compliance with European regulations that encourage agricultural reuse of sludges produced by treatment of municipal wastewater, Hera Group, through the Sotris S.p.A. subsidiary, constructed an experimental sludge treatment plant using organic matrix products. The plant consists of 12 storage cells, each with a capacity of 400 m³, with a remote control ventilation system, where the mixed sludge is deposited with rice chaff varying between 10-15% in weight. With this plant, the stabilised sludge reaches the parameters fixed by regulation for agricultural land treatment. The trial will last for 2 years. To put it in perspective, the completed plant is expected to have greater power and reuse civil purification sludge in a manner ecologically and economically compatible with the system.

Furthermore, over the last few years, Hera has implemented various initiatives to enhance the zones that, up until recently, were typically used as landfills. Combustion waste is used more frequently for recovery of metals and aggregates. Civil purification sludge is used to produce corrective materials for agriculture. Separation of sodium products from reaction during fume purification in waste-to-energy plants allows us to reuse these substances in specific production cycles.

Waste treated by type

thousands of t	2006	2007	2008
Municipal waste	1,583.2	1,666.5	1,762.5
Industrial waste	2,791.0	2,731.8	3,395.7
Total	4,374.3	4,398.3	5,158.2

In EMAS registered treatment plants (which treated 39% of waste disposed of), 241,788 m³ of water was consumed (a reduction of 13%, perimeter being the same, compared to 2007). In some plants, part of this water is reused within the production cycle. During 2008, the water reused came to around 54% of total water consumed.

14,063 tonnes of reagents were consumed in waste-to-energy plants, 17% more than the previous year. The increase is due to the launch of the Ferrara and Forlì plants that required higher amounts of reagents for the fume purification systems during the start-up phase. Additionally, the new nitric oxide abatement systems at Forlì require greater quantities of ammonia solution.

17,447 tonnes of chemical reagents were consumed in the stabilisation and chemical-physical treatment plants.

Municipal and industrial waste (breakdown by plant type)

thousands of t	2006	2007	2008
Separation plants	36.9	41.0	76.5
Selection plants	207.5	216.6	267.4
Waste-to-Energy plants	597.6	599.1	622.6
Compost plants	325.6	327.7	352.2
Landfills	1,498.9	1,534.7	1,597.8
Stabilisation and chemical and physical treatment	908.2	848.2	1,058.1
Plants of third parties	799.6	831.0	1,183.5
Total	4,374.3	4,398.3	5,158.2

The data refer to plant inflow waste. Duplication may therefore be included. Some of the waste, for example, may be treated in selection plants and then targeted for landfill disposal following selection treatment. The outgoing waste from plants which were counted among the final use plants was subtracted from the quantities treated in the separation plants.

Disposal of municipal waste in Europe

Landfills are still the main way of treating municipal waste in Europe (35% in 15-nation Europe, Eurostat figures relating to 2007). In Italy, the use of landfills is even higher: 52% of disposed municipal waste was transferred to landfills in 2007 compared to 12% used in waste-to-energy treatment.

In Europe, the countries which use waste-to-energy treatment the most are Denmark, Switzerland and Sweden with percentages of 53%, 49% and 46%, respectively. In all of these countries, the percentage of waste destined for recovery is more than 40%, proof of a possible coexistence between waste-to-energy treatment and higher separate waste collection.

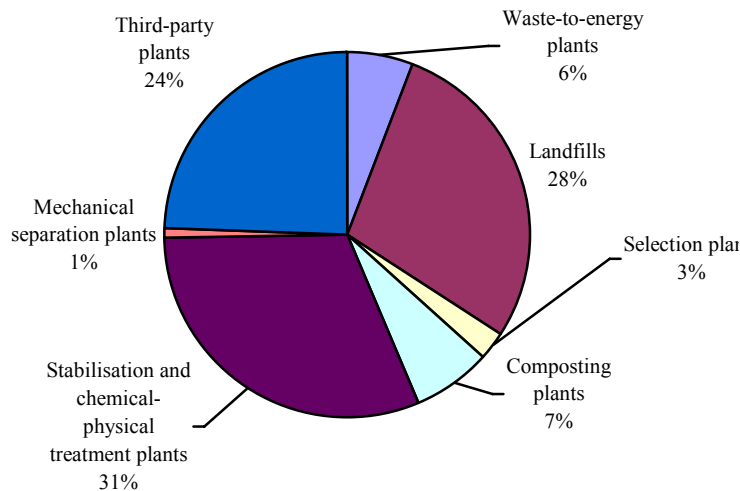
In Germany, France, Austria and the Netherlands, the percentage of waste destined for waste-to-energy treatment is 30-35%.

Germany, the Netherlands and Switzerland have already more or less eliminated the use of landfills and report percentages lower than 2%.

In October 2008, the European Council approved the new framework directive on waste, already certified by the European Parliament on 17 June 2008. The Member States have 24 months to acknowledge it (by 12 December 2010). The practical application of the waste hierarchy is based on the following points: a) prevention; b) preparation for reuse; c) recycling; d) other types of recovery, such as energy recovery; e) disposal. Other salient points from the directive: confirmation of the "polluters pay"

principle and greater effectiveness of waste prevention. As such the directive establishes that within five years of the directive becoming effective, the Member States must adopt waste prevention programmes, establishing specific objectives.

Special waste disposed of (breakdown by plant type) - 2008



In discussing waste management, the dialogue is often limited to problems relating to municipal waste, or waste produced by domestic residents, ignoring what is produced by commercial, production and industrial activities.

This is partly due connected to the fact that so-called special waste is not subject to planning by agencies as is municipal waste, and for this reason, its importance, both qualitatively and quantitatively, is undervalued.

It should be clarified that special waste are quantitatively much more important than municipal waste. APAT data reported municipal waste production of 32.5 million tonnes, compared to total waste production of 167 million tonnes in 2005 in Italy.

Hence, the portion of special waste represents more than triple municipal waste, and, even if a large part of this consists of demolition materials, it is easy to see that proper waste management in the area must consider this aspect.

New Modena plant for the recovery of waste-to-energy treatment plant waste

Currently in Italy there are various methods for managing combustion waste, ranging from reuse within the production cycle at cement works (preventively treated), to treatment to recovery iron and metals contained within, to disposal in landfills, which is still widely used.

In other parts of Europe, another management method widely used is to select from the waste a portion of aggregate matter of certain granulometry and mechanical characteristics to be used as road foundations.

The Modena plant constructed by Italcic is able to recover both the iron and metallic (aluminium) portions of the waste both to create a product with hydraulic characteristics that can be used as road foundations.

The plant has two sections, the first has the objective to recover metallic materials from waste and select a granulometry of aggregates adapted to creating the final product. The second section, through blast-furnace slag additives, aggregates and a specific catalytic converter transfer pozzolanic properties to the resulting product, that, once laid, begins a capturing process which gives it excellent mechanical resistance characteristics if used for road foundations. In the meantime, the product obtained (preventively de-ironised and de-metallicised) does not release pollutants or heavy metals and is subject to transfer tests to verify the release of pollutants from the inertia.

In 2008, authorisations were obtained for the plant and it has begun to treat combustion waste.

In 2009, authorisations were received to increase the plant capacity (currently authorised for 30,400 tonnes/year of incoming waste) to a capacity able to treat all combustion waste produced by the Modena waste-to-energy plant after expansion and revamping.

Progress of work on treatment plants

The status of Hera's new waste-to-energy plant projects as at the end of 2008 is as follows:

- the Ferrara plant is operational, confirming the elevated energy performance as well as emission performance already demonstrated during the launch phase;
- the Forlì plant is complete and received the Integrated Environmental Authorisation; the start-up phase began in July 2008 with excellent performance, just as for Ferrara; the plant became operational in January 2009.
- the Modena plant began functional verifications and trials with methane at the end of 2008; the trials with waste incineration will be completed by the first quarter of 2009;
- the Rimini plant was characterised in the first half by the demolition of two of the three existing lines in compliance with the Provincial Plan for Waste Management; in the second half of 2008, construction for the new line began on the site of the two demolished lines. In addition, at the end of 2008 the authorisation process for the issue of Integrated Environmental Authorisation was completed, which was issued in January 2009 and authorizes plant management once construction is completed.

More compost due to the expansion of the Voltana plant

The strengthening of the managed compost production plant in Voltana, in Ravenna province, was completed in March 2008 by Recupera S.r.l., a Hera Group company.

This strengthening, which increased the waste treatment capacity from 45,000 to 60,000 tonnes, required an investment of more than Euro 1 million. As a result, the quantities of waste treated increased by 21% and compost produced increased by 18%: a response to the area's needs linked to the increase in quantities of organic portion of separate waste collection.

Municipal and industrial waste disposal (breakdown by plant)

thousands of t	ISO 14001	EMAS	2006	2007	2008
Rimini Coriano	x	x	125.5	121.3	37.7

thousands of t	ISO 14001	EMAS	2006	2007	2008
Bologna Frullo (Frullo Energia Ambiente)	x		199.5	206.7	204.1
Ferrara Canal Bianco	x	x	39.5	43.2	129.3
Forlì Grigioni	x		50.2	44.8	68.3
Ravenna strada Romea km 2.6	x	x	46.1	47.7	49.1
Modena Comparto Area 2 Cavazza	x		103.7	104.2	103.5
Ravenna (Ecologia Ambiente)	x		33.0	31.2	30.6
<i>Total waste-to-energy plants</i>			597.6	599.1	622.6
Civitella – FC			17.8	33.3	17.4
Busca – FC	x	x	132.0	131.9	117.0
Ravenna str. Romea km 2.6 (1C)	x	x	235.0	196.0	203.0
Ravenna strada Romea km 3.8 (2B)			1.4	0.0	0.0
Ravenna strada Romea km 2.6 (2C)	x	x	4.2	0.0	0.0
Lugo – RA	x	x	10.4	0.3	0.0
Galliera – BO	x	x	158.0	181.7	176.4
Baricella – BO landfill	x	x	41.9	0.0	0.0
Tre Monti – Imola	x	x	242.5	266.2	237.3
Il Pago Firenzuola – FI	x		16.8	0.0	28.6
Ravenna strada Romea km 2.6, formerly 2B super (Sotris)	x	x	19.0	16.0	2.2
Ravenna strada Romea km 2.6, formerly 2B super (Sotris)	x	x	67.7	63.3	75.3
Modena Caruso 1C	x		198.1	201.3	322.0
Modena Caruso 2B	x		21.5	7.5	0.0
Montefiorino – MO	x	x	2.3	0.0	0.0
Zocca – MO			22.8	22.6	8.8
Castelmaggiore - BO (A.S.A.)	x	x	177.7	202.0	195.6
S. Agata (BO) landfill (Nuova Geovis)	x		9.6	12.1	5.2
Cà Asprete (Marche Multiservizi)	x			94.5	112.1
Third party landfills			120.5	106.0	97.0
<i>Total landfills</i>			1,498.9	1,534.7	1,597.8
Akron Coriano (RN)	x		43.6	50.2	59.2
Akron Modena	x		0.0	0.0	30.2
Akron Mordano (BO)	x		47.8	53.3	55.7
Akron Lugo-Cotignola (RA)	x		52.4	61.0	74.7
Ferrara (Ecosfera)	x		37.0	43.7	45.3
Inert stores			14.5	0.0	0.0
Other Hera plants			12.2	7.3	0.0
Other external plants			0.0	1.1	2.2
<i>Total selection plants</i>			207.5	216.6	267.4
Busca - FC (Romagna Compost)			10.8	13.2	14.4
Nuova Geovis S. Agata Bolognese (BO)	x		139.9	127.2	124.8
Nuova Geovis Ozzano (BO)	x		4.3	19.9	24.0
Voltana di Lugo – RA (Recovery)	x		33.0	39.9	48.4
Rimini Cà Baldacci (Recovery)	x		34.9	37.5	40.5
Ostellato - FE (Recovery)	x		102.8	90.0	99.9
CDR stabilisation plant (RA)	x		0.0	0.0	0.2
<i>Total composting plants</i>			325.6	327.7	352.2
Forlì chemical phys. plant	x	x	27.6	24.2	25.0
Ravenna chemical phys. biological plant	x	x	170.6	190.5	191.6
Ravenna sludge treatment			134.9	87.6	119.3
Ravenna Z.I. (Ecologia Ambiente) chemical phys. plant	x		51.9	55.5	235.4
Alfonsine chemical phys. biological plant	x		17.0	13.3	1.9
Russi chemical phys. plant			4.9	0.0	0.0
Lugo – RA chemical-physical-biological plant	x		97.2	84.9	70.9
ITFI Bologna stabilisation and chemical phys. plant	x	x	117.7	100.5	130.9
Ravenna (Sotris) stabilisation plant	x	x	17.0	17.2	14.2
Chemical-physical plant (with special waste platform) Ferrara	x	x	9.9	7.9	7.0
Modena Area 2 chemical physical plant	x		134.9	138.4	150.0
Modena Area 3 chemical physical plant	x		5.6	15.2	18.2
Modena CTIDA Area 3 chemical physical plant	x		1.7	2.0	0.3
Soloric plant Modena	x		17.1	13.3	4.9
Anaerobic digester Spilamberto			100.2	97.6	88.3
Modena stabilisation and chemical phys. plants (CIC)			-	-	0.3
<i>Total stabilisation and chemical phys. plants</i>			908.2	848.2	1,058.1
WDF production Ravenna	x	x	4.8	4.7	3.7
Bologna separation	x		2.3	0.0	0.3
Tremonti – Imola (Akron) separation	x		29.8	36.3	67.2
Nuova Geovis separation	x		-	-	5.2
<i>Total mechanical separation plants</i>			36.9	41.0	76.5
Plants of third parties			799.6	831.0	1,183.5
<i>Total plants of third parties</i>			799.6	831.0	1,183.5

thousands of t	ISO 14001	EMAS	2006	2007	2008
Total			4,374.3	4,398.3	5,158.2

Waste produced by Hera

The activities managed by the Hera Group generate various waste types. On the basis of the specific chemical-physical characteristics relating to the waste, it subsequently re-enters the recovery (energy or material) or disposal processes managed internally by the Group. For example, waste from the maintenance of company parkland is treated in composting plants, and leachate from landfills is treated at chemical-physical-biological plants.

Main wastes produced by Hera

thousands of t	2007	2008
Sludge from purification, potability treatment and distribution	173	192
Sand from wastewater treatment plants	13	20
Ash from wastewater treatment sludge incineration	4	4
Other sludge produced by TOCs (sewer cleaning, septic tanks, etc.)	25	11
Other waste produced by Territorial Operative Companies	6	1
Waste-to-energy plant electrofilter dust	9	14
Waste-to-energy plant waste	91	93
Solid waste from stabilisation	20	12
Sludge produced by chemical-physical-biological plants	53	53
Sludge treatment water	129	78
Separated oils produced by chemical-physical-biological plants	1	0
Surnatant from chemical-physical-biological plants	380	489
Leachate from landfills	259	292
Scavenging water/sludge from waste-to-energy plant fumes	136	152
Fuel derived from waste	45	42
Non-reusable fractions from plants for selection and for the production of fuel from waste	124	112
Other waste from Waste Management Division storage and plants	1	7
Total	1,468	1,574

Data refer to Hera S.p.A. and the Territorial Operating Companies

The table below provides the data regarding the main types of waste produced during the management of the integrated water service and during waste treatment.

The following are the disposal methods used for the main types of waste produced by the Group's operations:

- sludge generated by water offtakes, potability treatment and distribution: dehydration, landfill, reuse in environmental renovation works;
- purification sludge: landfills, conditioning and subsequent reuse in agriculture, thermal treatment, dehydration, transfer directly to agriculture;
- sludge from wastewater treatment: stabilisation and successive disposal in appropriately controlled landfills;
- dust from waste-to-energy plants: landfills, recovery of iron and metal portions, production of road foundations;

- surnatant from chemical-physical-biological plants: biological purification treatment in plants;
- leachate from landfills: treatment in chemical-physical-biological treatment plants;
- fuel derived from waste waste-to-energy treatment in specific Group plants;
- non-reusable fractions from plants for selection and for the production of fuel from waste: waste-to-energy treatment, landfills.

Biodiversity

Beginning in the 1980s, attention began to be focused on the concept of biodiversity: problems relating to the progressive loss of biological diversity due to human activities became the subject of international conventions and EU directives (specifically, Habitat Directive and Birds Directive).

In the province of Ferrara, the two largest water collection plants (Pontelagoscuro and Stellata, on the Po river) are located within the Special Protection Area called “Fiume Po da Stellata a Mesola e Cavo napoleonico”.

In the province of Ravenna, by contrast, the Marina di Ravenna treatment plant is located within the EU Conservation Area “Piallassa Piombone”, while the Ravenna city treatment plant disposes of the wastewater treated within the SPA “Piallassa Baiona”. Within these two plants, in order to protect biodiversity, Hera carries out acute toxicity tests. In the period 2005-2008, these tests demonstrated that the water disposed of had an extremely low level of toxicity.

Hera also manages some minor water collection work in the Forlì-Cesena province within natural parks, authorised by the Emilia-Romagna Region as they do not have any impact on the environment.

Hera's waste disposal plants which are being upgraded and newly built are subject to the Environmental Impact Analysis (EVA) procedure. For plants located near protected areas (generally within 5 km distance and when specific conditions exist that may result in even a limited impact), Hera performs a Incidence Assessment, which, in general terms, can be considered a sort of evaluation of specific environmental impact for the peculiarities and natural abundance in the protected areas.

Appendices



Hera Group - 2008 Sustainability Report Assurance Statement

Introduction

Det Norske Veritas Italia s.r.l. ('DNV') has been commissioned by the management of Hera S.p.A. ('the Company') to carry out an assurance engagement on the Company's 2008 Sustainability Report ('the Report') in its printed format and online format against the Global Reporting Initiative (GRI) 2006 Sustainability Reporting Guidelines Version 3.0. ('GRI G3') and the AccountAbility 1000 Assurance Standard (2008) ('AA1000 AS 2008').

Hera S.p.A. is responsible for the collection, analysis, aggregation and presentation of information within the Report. Our responsibility in performing this work is to the management of Hera S.p.A. only and in accordance with terms of reference agreed with the Company. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and true.

Scope of Assurance

The scope of work agreed upon with Hera S.p.A. includes the following.

- Sustainability data and activities undertaken from January 2008 to December 2008 as contained in the 2008 Report.
- Evaluation of Accountability Principles and Performance Information (**Type 2**) with a **High level of assurance**, according to AA 1000 Accountability Principles Standard 2008 and AA1000 AS 2008.
- Evaluation of **specified sustainability performance information**:
 - reported progress against the Company's 2007/2008 commitments disclosed in its 2007 Report;
 - The core indicators set out by GRI G3.
- Our verification was carried out during February and March 2009. We visited:
 - Bologna head-office;
 - Forlì, Imola, Rimini and Ferrara divisions;

- Modena and Bologna local operating companies;
- one affiliate;
- Imola and Ferrara Residential Advisory Board.

- Our verification has not covered data and information related to gas and electric energy commercial quality, gas safety and continuity of electric services that are communicated to Authorities after the end of this assurance engagement. The economic data and information have been acquired from the Company's certified 2008 balance sheet.

Verification Methodology

DNV is a leading service provider of sustainability services, including verification of sustainability reports. Our environmental and social assurance specialists work in over 100 countries. Our assurance engagement was planned and carried out in accordance with the DNV Protocol for Verification of Sustainability Reporting. The Protocol can be downloaded from www.dnv.com/cr.

In that respect, the Report has been evaluated against the following criteria.

- Adherence to the principles of Inclusivity, Materiality and Responsiveness, as set out in the AA1000 AS 2008.
- The GRI G3 and specifically against all the requirements for Application Level 'A+'.

As part of the verification we challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls.

We examined and reviewed documents, data and other information made available to DNV by Hera.

We acquired the information and technical data from the certified management systems.

We performed sample-based audits of:

- the mechanisms for implementing Hera's own sustainability policies, as described in the Report;

Statement n. STAT-14846-2009-CSR-ENG-DNV

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- the processes for determining material issues to be included in the Report;
- the processes for generating, gathering and managing the quantitative and qualitative data included in the Report.

We interviewed the Managing Director, 40 managers, including the Group CSR team and all those resources involved in operational management of issues covered in 2008 Report.

We observed two stakeholder engagement meetings (Imola and Ferrara RAB - Residential Advisory Board).

Conclusions

In DNV's opinion, the Report is an accurate and fair representation of the Company's sustainability-related strategies, management systems and performance. We have evaluated the Report's adherence to the following principles.

- *Inclusivity*

In our view the Report adheres to the inclusivity principle. It reflects the noteworthy efforts of the Company to continually extend its adoption of best practices (e.g. regarding Residential Advisory Boards) and the range of channels used to ensure inclusion of stakeholders' interests.

- *Materiality*

In our view the 2008 Report adheres to the materiality principle. In particular, it reflects the Company's alignment of its materiality determination process with its processes for organisational decision-making and strategy development (e.g. through its balanced scorecard system). Hera also includes in the Report other types of information already managed internally for other purposes. It is recommended to continuously strengthen this process.

- *Responsiveness*

In our view the Report adheres to the responsiveness principle. In particular we consider the system adopted by Hera to map and respond to stakeholders, and the communication tools used, to be mature.

- *Findings in relation to Specified sustainability performance information, with high level of assurance.*

In our view, the data and information communicated in the Sustainability Report are reliable.

The continued integration of the reporting process with internal management systems and other communication processes, through the development of procedures, guidelines and tools, is a noteworthy effort. Nevertheless, it is recommended to extend this process to all data and information coming from local operating companies and to establish, for all relevant data, a process to assure an adequate internal validation of data.

The availability of various data included in the Report is subjected to time constraints (e.g. data communicated to external parties). We recommend ensuring that the schedule

for data collection is realistic to ensure the timely analysis of data.

We note the wide and active involvement of internal resources in the development of the Report.

Among the different level defined by the GRI G3, DNV confirms that the GRI Application Level A+ has been met.

Opportunities for Improvement

The following are an excerpt from the observations and opportunities reported back to the management of Hera. However, these do not affect our conclusions on the Report, and they are indeed generally consistent with the management objectives already in place.

- The ongoing extension of the Report's boundaries, through the inclusion of new companies and issues, is noteworthy. Meanwhile, it is important to enable Report users to compare past performances with respect to new data.
- Hera may consider developing a system for showing the economic aspect of environmental efforts, in order to demonstrate the relation between its strategy and investment.

DNV's Independence

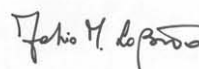
DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward stakeholders interviewed during the verification process.

DNV expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Verification Statement.

For Det Norske Veritas Italia



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Agrate Brianza (MI), 2009-04-22

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Glossary

AEEG

Italian Electrical Energy and Gas Authority, formed under Italian Law No. 481 of 14 November 1995.

Ammonia nitrogen

The term ammonia nitrogen (NH₄) is used to define the concentration of ammonia ions in water. It provides an index of biodegradation of nitrogenous organic substances. Its value is expressed in mg/l.

ARPA

Regional Environmental Protection Agency. The system of Regional Environmental Protection Agencies currently includes 19 agencies throughout the country.

BAT

Best Available Technology is the most efficient and advanced industrially available technology which may be applied in technically valid conditions, capable of ensuring a high level of protection of the environment as a whole. It constitutes the baseline used by legislators when setting pollutant emission limits.

Biogas

Term used to refer to a mixture of types of gas (mainly methane) produced by natural bacterial fermentation (in anaerobic conditions, i.e. in the absence of oxygen) of organic residues from waste.

BOD

The term BOD (biochemical oxygen demand) is used to define the amount of oxygen consumed during a specific time period (5 days for BOD 5), at a given temperature, to biodegrade the organic matter present in the water via bacterial action (uptake of oxygen by micro-organisms). A high biochemical oxygen demand indicates intense biodegradation of organic matter, and may infer the presence of organic pollution. Thus, this is an indirect measure of pollution levels. Its value is expressed in mg/l.

Bonds

Stock loan issued by a company. It is a long-term loan: investors are guaranteed the right to annual interest payments at a fixed rate, with return of the capital on a set date.

CCGT

Combined Cycle Gas Turbine. It is an electricity generation plant whose main function is the combined presence of a gas turbine and a steam turbine. CCGT technology is one of the most advanced available today and guarantees elevated performances and greater environmental compatibility.

CIP 6

Ruling No. 6/92 of the CIP (Interministerial Price Committee) concerning incentives for the production of electricity from renewable sources. It determined the tariffs and contributions for the production and sale to ENEL (national electric power utility) of energy from conventional, renewable and assimilated sources.

CIPE

Interministerial Committee for Economic Planning, responsible for laying down the framework for economic and financial policies.

COD

The term COD (chemical oxygen demand) refers to the amount of oxygen required for the complete oxidation of organic and inorganic compounds present in a water sample. Thus, this is an index for measuring the degree of pollution, mainly organic, in the water from substances which can be oxidized. Its value is expressed in mg/l.

Code of Ethics

Document setting forth a number of principles and specifying conduct, commitments and ethical responsibilities to be put into practice by members of the Board of Directors, staff and collaborators of the company.

The Code may be described as a "Constitutional Charter" of a company, a charter of moral rights and duties that establishes the ethical and social responsibilities of all those who work within the organisation.

Cogeneration

Simultaneous production of electricity and thermal energy (in the form of steam).

Composting

Aerobic treatment (in the presence of oxygen) of biodegradable organic waste, whose final product is compost, a soil improver, which can be used in vegetable cultivation.

Corporate governance

The processes, policies, habitual practices, laws and institutions which influence the manner in which a company is managed and controlled. Corporate Governance also covers the relations between the various players involved (stakeholders, those who have a vested interest of any type in the company).

CSR

Corporate Social Responsibility is the set of social, environmental and economic responsibilities that the company must take on to meet the legitimate expectations of its stakeholders.

Dispatching (electrical energy sector)

Defined by the Bersani decree as: activities aimed at providing instructions for the use and the coordinated operation of production plants, the transmission grid and auxiliary services.

Dispatching (gas sector)

Defined by the Letta decree as: activities aimed at providing instructions for the use and the coordinated operation of extraction and storage plants, the transport and distribution network and auxiliary services.

District Heating

Transfer over distances of heat from thermoelectric power stations, co-generation plants or waste-to-energy plants through an energy vector (hot water, superheated water, steam).

EMAS

EU Regulation No. 761/2001 which envisages the adoption by business concerns of environmental management systems based on policies, programmes, procedures and objectives directed toward improving the environment, and publication of an environmental statement, to be validated by the ECOAUDIT committee.

Ethical funds

This term is used to describe mutual investment funds that aim to choose commitments in shares, bonds and government securities using ethical selection criteria. These parameters are defined as exclusion/inclusion.

Focus group

A surveying technique based on discussion among members of a group of persons. The main aim is to conduct an in-depth study of a specific issue in relation to given targets. Interaction between focus groups members provides the basis for the surveying action.

Geothermics

The science dedicated to problems relating to the internal energy of the Earth and to the practical applications of this energy source.

Green certificates

Certificates issued according to the provisions of Article 5 of the Italian Ministerial Decree dated 11 November 1999. All producers or importers must introduce into the grid a 2% quota of electricity produced from plants fuelled by renewable sources. Production of electricity from such plants takes place according to a regime whereby, for the first eight years, the certification of production from renewable sources (green certificates) has a value, by right, of 100 MWh. Green certificates can be sold as a means of ensuring compliance with the obligation to introduce energy from renewable sources.

Greenhouse gas

These gases are transparent with respect to solar radiation, and prevent the dispersion of heat from the Earth, thus leading to the overheating of the atmosphere. Over and above greenhouse gases of natural origin, the main greenhouse gases produced by mankind are carbon dioxide, methane, chlorofluorocarbons and nitric oxides.

GRTN

Gestore della Rete di Trasmissione Nazionale. (National Electricity Transmission Grid Operator) Article 7 of the European Directive on the internal electricity market (96/92/EC) defines this as: the party responsible for the management, maintenance and, if required, the development of the transmission grid in a given area and the relative devices for interconnection to other grids, in order to guarantee the security of the supply. Article 8 assigns the grid operator the responsibility for dispatching from its power plants in its area, and the determination of use of interconnections to other systems.

Heat pump

This is a device capable of transferring heat from a body at a lower temperature to a body at a higher temperature, using electricity.

Inhabitant equivalent

The concept of the inhabitant equivalent was introduced to allow for comparing various types of sewage (urban, household, industrial) in terms of pollution. Using conversion factors, this term is used to estimate how many inhabitants would be required to produce (with normal domestic sewage) the same amount of pollution.

Generally, one inhabitant equivalent corresponds to 60g of BOD5 per day.

KPI

Key Performance Indicators are specific indicators selected on the basis of corporate information needs. They are used to conduct corporate monitoring. KPIs may be financial, production-oriented, commercial, environmental or social, or may regard more than one aspect.

Leachate

Substance obtained by filtering water and other liquid mixtures through waste.

Mobility Management

Refers to an internal corporate department in charge of managing staff commuting.

Nitric oxides

Nitric oxides (mainly NO and NO₂), gases produced by combustion of fossil materials. Nitric oxides contribute to the formation of ozone in the lower atmosphere and acid rain.

NM³

Normal cubic metre (volume of gas at 0°C and 0.1 Mpa).

OHSAS 18001

The OHSAS 18001 (Occupational Health & Safety Assessment Series) standard is an internationally recognised benchmark for certification of workplace health and safety management systems.

PM10

Particulate matter, or dust, of a diameter of less than 10 microns from various sources (natural or generated by mankind). PM10 includes a variety of solid or liquid particles of differing characteristics. Given their smallness, they tend to remain suspended in the air.

Primary energy

Primary energy is the energy potential presented by energy carriers in their natural form, for example oil, natural gas, coal, natural uranium, water and other renewable energy sources. In the majority of the cases, the primary energy must be transformed into secondary energy in electricity power stations, refineries, etc.

Renewable energy sources

Renewable energy sources are: wind, solar, geothermal, wave motion, tidal, hydraulic, biomass, landfill gas, treatment process gas and biogas. Biomass means the biodegradable part of products, waste and residues generated by farming (including vegetable and animal substances), forestry and associated industries, as well as the biodegradable part of industrial and municipal waste.

SA 8000

International certification standard regarding respect for human rights, respect for workers' rights, safeguards against exploitation of minors, and guarantees with respect to workplace health and safety conditions.

Services Charter

Corporate document setting quality standards for corporate services.

Social cooperatives

Cooperatives regulated by Italian Law No. 381 of 8 November 1991. This law breaks these cooperatives down into two types:

type A = cooperatives providing social, health and educational services.

type B = cooperatives operational within the production and labour sectors which have, among their members, a level of at least 30% who are disabled or otherwise face hardship.

SST

The term TSS (total suspended solids), which are the cause of the turbidity of liquids, means the total amount of suspended solids and filterable solids. This represents the total substances present in the sample following drying, at 105°C. Its value is expressed in mg/l.

Stakeholder

Stakeholders are persons with vested interests. They may or may not belong to the company of which they are a stakeholder, and they may have a bearing on the decisions, conduct or success of a company.

Subsidence

Sinking of the soil caused by lowering of the underground water table, in turn caused by withdrawal of groundwater at a faster rate than the natural recharging time.

Sustainable development

"Development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland Report, World Commission for Economic Development, 1987).

Sustainability Report

An instrument which accounts for the impacts of corporate activities on three dimensions of sustainability: Economic, social and environmental.

Toe

Tonne of oil equivalent. Conventional unit of measurement of sources of energy equivalent to 10,000 Mcal (= the energy obtained from combustion of a tonne of oil).

Turboexpander

Machine that transforms energy of a given kind (e.g. potential energy) into mechanical energy, made available for use via a rotating axis. The resulting energy may in turn be used for the production of other energy (e.g. by coupling an alternator to the turbine to enable the alternator to exploit the mechanical energy to produce electricity).

UNI EN ISO 9001:2000

International technical standard for certification of quality management systems (also known as “Vision 2000”).

UNI EN ISO 14001 Standard

International technical standard for certification of environmental management systems.

Waste

Italian Legislative Decree No. 22 of 5 February 1997 defines waste as “any substance or object which the holder disposes of or has decided or is required to dispose of”. This decree classified waste based on its origin, as municipal or industrial, and, according to the level of dangerousness, as hazardous or non-hazardous.

Waste-to-energy plant

Plants using waste as a fuel to produce heat or energy.

Water and Waste Regulatory Authorities (ATO)

The ATO water and waste regulatory authorities, based on Italian Law No. 36 of 1994, define the local level of organisation of the integrated water services in order to overcome the fragmentation of management and to reach suitable sizes for the areas managed; the regional law defines the borders of this area based on the water use basin.

WDF

Waste-derived fuel.

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