

Year 3, Issue 2

The information contained in this newsletter is as of May 14th 2008

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The draft of the HTML version of our Q108 Report will be available on the website as soon as results are released at:

www.gruppohera.it

Investor Relations /

Report and Results

The Q108 Results

Presentation is available on Hera's corporate website at:

www.gruppohera.it

Investor Relations /

Presentations

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HeraNews

Invertors' Newsletter

Message from the Chairman

Dear Shareholders,

Today the Board of Directors approved results which prove that the first quarter of 2008 has been a further stage along a track of continuous growth, which started in 2003. Made the exception of the last quarter 2006 and the first quarter 2007, in which we experienced extraordinary negative weather conditions, the table below shows that our net operating profit has always expanded, at a compound average rate of 14.4% yearly.

During the first quarter 2008 the weather has been again quite 'normal'. This had a positive impact on quarterly results, together with the enlargement of consolidation perimeter due to M&A activities, with the integration of Megas into Aspes and the incorporation of SAT – both companies being multiservice utilities operating in areas close to the previous Hera's territory.

I believe that we can underline our commitment to reduce the environmental impact of our activities as highlighted in our mission: in these first three month the collection of sorted Urban Waste has moved up to above 40% increasing the recycling activities.

Coming back to quarterly figures, in the first three months of 2008 we have invested euro 90.1 million, that is some euro 14 million more than in the first quarter 2007. Most investments have been concentrated in the Water sector, with substantial upgrades and extensions, of above euro 33 million, followed by the Waste business, whose capex exceeded euro 22 million.

In the first quarter of 2008 all key indicators present a growth if compared to the same period of 2007: revenues expanded



by 34%, while EBITDA grew by 15% and the pre-tax profit by 12%. The increase in EBITDA is actually lower than the one in revenues; this mirrors the effect of some activities, such as the commodity trading, which had a positive contribution to EBITDA in absolute terms, but structurally have a marginality lower than the average one, so leading to some dilution in at consolidated levels.

So even today Hera confirms its capability of managing several parallel complex projects as well as of achieving the expected profitability, both from development investments and from M&As. This is why we feel comfortable in stating that we will continue working on 2007-2010 business plan execution.

Yours faithfully,

Tomaso Tommasi di Vignano

Economic data (ml€)	Q12008	Q12007	Q12006	Q12005	Q12004	Q12003	Cagr.% 2003-2008
Revenues	1,001.3	746.7	731.9	635.8	460.3	385.2	+21.1%
Ebitda	154.3	134.5	137.2	129.1	99.2	81.2	+13.7%
Ebit	101.7	87.1	95.5	94.1	65.2	51.9	+14.4%

Q108 (mn €)
REVENUES 1001,3 (+34,1%)
EBITDA 154,3 (+14,6%)
EBIT 101,7 (+16,8%)
PRE TAX PROFIT 78,5 (+12,2%)
INVESTMENTS 90,1
NET FINANCIAL DEBT 1485,8

Focus on Q108 results Double digit Growth

Consolidated revenues growth is at 34.1%, thanks to several factors:

- strong growth in electric trading,
- electricity prices increase,
- increased quantities of sold and distributed gas together with gas trading activities,
- regulated tariff increase for water and waste management activities.
- Sassuolo area and Urbino Provinces municipalities are now included into consolidation area, and EBITDA growth of 14.6% on a yoy basis, also for higher cost content of increased trading sales.

Reduced EBITDA margin (from 18.0% to 15.4% yoy) due to the increase in pass-through sales.

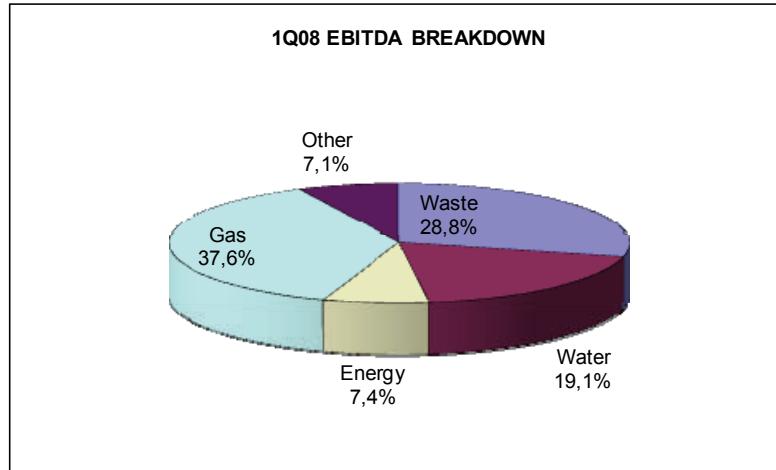
EBIT growth at 16.8%, after the absorption of depreciation and provisions increasing by 10.8%.

Net Financial Charges growth at 35.3%, due to the interest rated increase and to the higher leverage to finance Company growth.

Pre tax profit grows by 12.2% at 78.5 million, with a percentage on revenues at 7.8%.

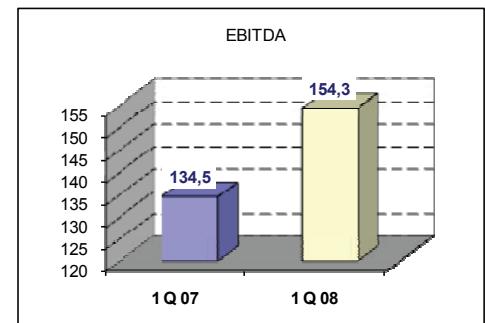
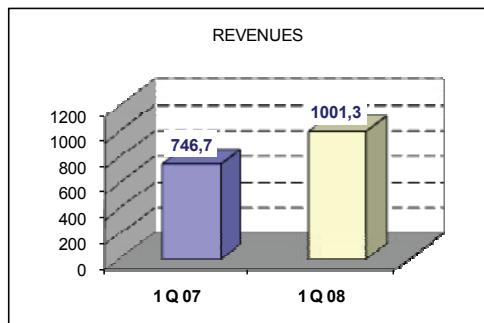
Net financial debt grows by 4.2% at 1485.8 million with respect to last year end, and represents 48.1% of net invested capital. Growth is related to seasonality effects and to increased turnover.

DISTRIBUTED DIVIDEND FY 2006: 8 cts
APPROVED DIVIDEND FY 2007: 8 cts
DATE OF SHARE-OUT: JUNE 2nd 2007
DATE OF PAYMENT: JUNE 5th 2007



EBITDA breakdown continues to prove that Hera boasts a well-balanced business portfolio, though sectors show a different distribution with respect of Q107.

Gas activities contribution to Group EBITDA grows from 33.4% to 37.6%, mainly thank to more favourable weather conditions compared to Q107. Gas sold grows by 15.3% to more than a billion cubic meters. Electricity contribution grows from 6.4% to 7.4%, thanks to greater quantities (+20.5% a 1240.3 Gw/h). The strong growth in energy related businesses reduce the quotas for Water - which shows increases both in sales (+10.1%) and in EBITDA (+7.4%) - and Waste Management (+8.5% in sales and +6.1% in EBITDA). EBITDA decreases by 6.0% yoy for other activities, mainly for the divestment of non strategic assets.



INTERVIEW: MICAELA MAINI, Head of Web Communication New Hera Website

After four satisfactory years online Hera website underwent a major overhaul. Why a new website?

We underwent a qualitative and quantitative satisfaction survey on a sample of 5.000 web users, along with on-line interviews. We found also very useful the benchmarking and best practice studies Webranking publishes every year.

Which problems did you have to solve in the project design phase?

The toughest thing was to make a very complex reality simple, and to present it tailored to the different users, still keeping a unique and recognizable identity. At the same time, contents accessibility has evolved with multiple instruments and technologies for users willing to be constantly and timely informed about Hera Group.

What makes your new web offer unique?

Ease of surfing across the new layout. We adopted the concept of *Landing-page*. It is the first page every visitor sees and it has to act as a first contact, being able to give an easy choice among few basic information, which are gates to wider courses. This structure makes surfing easy, with consistent quality and depth of contents. Our website has more than 15.000 different web pages.

What has changed in terms of technology and contents use?

We developed further the accessibility for disabled people according to W3C-WAI standard. The access to the site is now possible for mobile internet devices; we adopted RSS feeds and alerting; a new video and podcasting section has been added, we renewed the interactive financial report format for investors and we introduced an interactive audio guide to help our customers with the reading of the invoices.

HERA'S "REGIONAL NETWORK REMOTE CONTROL CENTER" OPENS

ONE OF THE LARGEST IN EUROPE

Cutting edge technologies enhance security and quality in customer servicing.

Hera has opened on May 8th the "Regional Network Remote Control Centre". The centre will allow the real-time control of over 2,000 plants, linked through a 60,000 km network, providing water, gas and district heating in the 6 provinces served by Hera.

The centre, based in Forlì, is the largest in Italy and one of the largest in Europe in terms of number of services and remotely controlled points.

Cutting edge technologies in place – 90 monitors, 30 workstations, 60 operators and a giant 60 sqm screen – make the centre comparable only to the operating centres that manage transport systems - such as railways - and power grids.

Real-time control of over 100,000 points, also supported by a 24-hour technical call centre, will allow a team of 60 operators to cover the whole regional network, ensuring better security and service quality.

The centre will also be connected to the REGIONAL hydro-Meteorological System station radar, to the APRA rainfall stations and to the Regional Cartography Office as well. In case of an emergency, the Crisis Unit room can be used, for instance, by the Civil Defence.

SHAREHOLDERS' MEETING



The Annual Shareholders' Meeting, which took place in Bologna on April 29th, approved the 2007 annual financial statements and the distribution of a dividend – as proposed by the Board of Directors – of 8 cts per share, unchanged vs. the 2006 one.

The Shareholders' Meeting also approved the renewal for further 18 months of the authorization to purchase treasury shares for a countervalue of up to euro 60 million. These shares may be used to finance mergers with companies located in the surroundings of the Group's present geographical area.



Hera share 3m performance and 1y vs. MIBTEL

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2008 FINANCIAL CALENDAR

May 14th
Board Meeting to approve first quarter 2008 results

August 29th
Board Meeting to approve semi-annual 2008 results

November 14th
Board Meeting to approve third quarter 2007 results

HERA SHARE

Price as at May 13 2008: 2.5 €
365 dd high-low: 2.17-3.42 €

Outstanding shares:

1,032,737,702

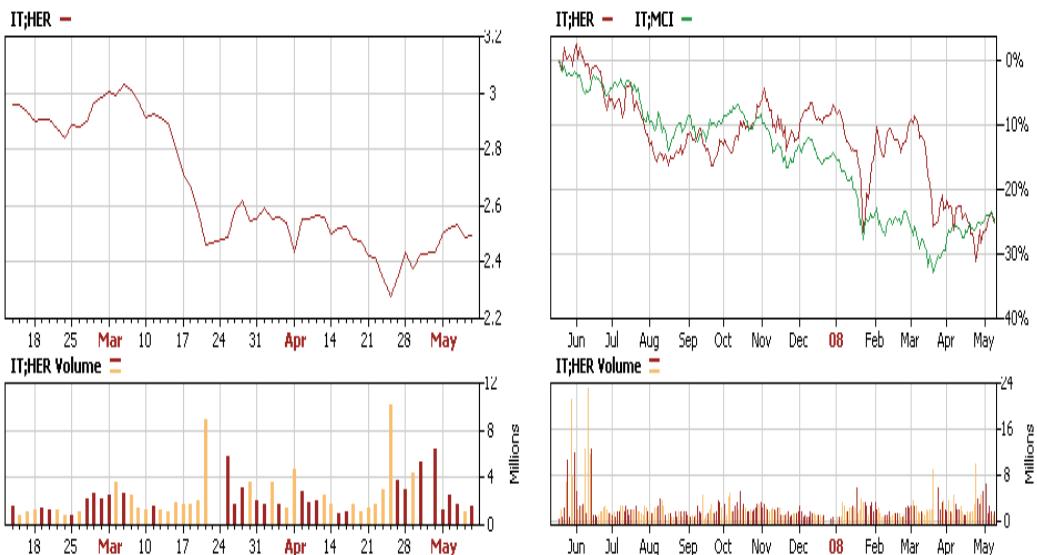
Mkt Cap: 2.6 mld di €

Specialist: Banca IMI

Price target consensus (source Reuters): 3.47€

Hera stock exchange indices

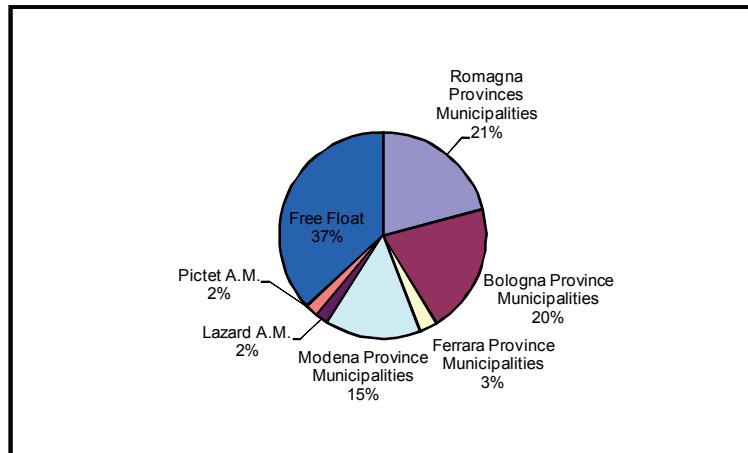
Midex—Borsa Italiana
Dow Jones TMI Utility
Dow Jones Stoxx 600
Axia Ethical
Kempen/SNS Smaller Europe SRI Index
MSCI Small Cap Index



In early 2008 the whole utility sector discounted the higher expected risk premium for equity investments, given the threats of a hard-landing in the US macroeconomics and the credit crunch which followed the “subprime” crisis.

The 3-month chart on the left shows that the share price falling down to a low of euro 2.28 on April 24th. From that low the stock price recovered some 10%. The chart on the right indicates that Hera's 1-year price performance is perfectly in line with the all-share Italian index one.

Shareholders



Pictet AM and Lazard A.M. holding stakes, within the free float, remain around 2% each.

Starting from March 2008, the Hera stock has become a component of the Dow Jones Stoxx 600 Index, which includes the first 600 companies by market capitalization in 18 different European Countries.

Analyst recommendations remain favourable. Consensus target price is still around euro 3.5, as at the time of the last newsletter – indicating a 40% discount at present prices.

Hera is a “Top Pick” in the list of favourite stocks of four brokers - Citigroup, Merrill Lynch, Cazenove and Banca Leonardo

We await your comments on our newsletter. Please send them to: ir@gruppohera.it