GRUPPO HERA

Consolidated Quarterly Report

as at 31st March '08

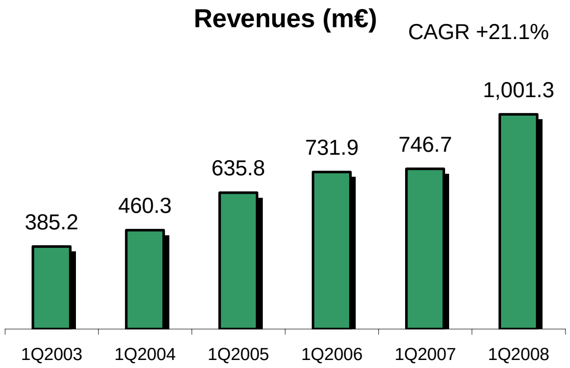
The Hera Group

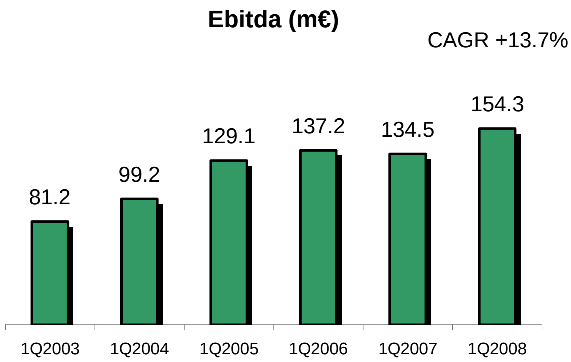
1.01 Hera's Mission

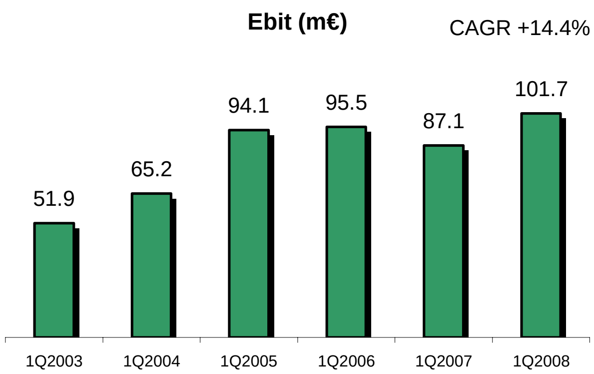
"Hera's goal is to be the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates by respecting the local environment".

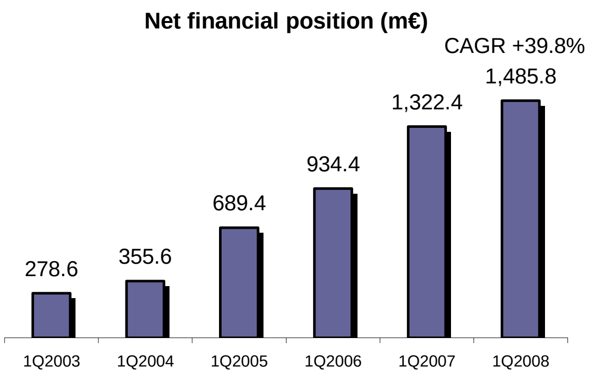
For Hera, being the best means inspiring the pride and trust of: ***customers****, who receive, thanks to Hera's responsiveness to their needs, quality services that satisfy their expectations;* ***the women and men who work at Hera****, whose skills, engagement and passion are the foundation of the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

1.02 Highlights









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%

1.03 Company Officers

Board of Directors	
Chairman	Tomaso Tommasi di Vignano
Vice Chairman	Giorgio Razzoli
Managing Director	Maurizio Chiarini
Director	Mara Bernardini
Director	Filippo Brandolini
Director	Luigi Castagna
Director	Mauro Cavallini
Director	Piero Collina
Director	Piergiuseppe Dolcini
Director	Ferruccio Giovanelli
Director	Lanfranco Maggioli
Director	Alberto Marri
Director	Nicodemo Montanari
Director	Roberto Sacchetti
Director	Luciano Sita
Director	Francesco Sutti
Director	Bruno Tani
Director	Stefano Zolea
Board of Statutory Auditors	
Chairman	Sergio Santi
Standing Auditor	Fernando Lolli
Standing Auditor	Antonio Venturini
Alternate Auditor	Roberto Picone
Alternate Auditor	Stefano Ceccacci
Committee for Internal Control	
Chairman	Giorgio Razzoli
Member	Stefano Zolea
Member	Vander Maranini
Member	Luigi Castagna
Remuneration Commitee	
Chairman	Giorgio Razzoli
Member	Pier Luigi Celli
Member	Piero Collina
Member	Nicodemo Montanari
Executive Committee	
Chairman	Tomaso Tommasi di Vignano
Vice Chairman	Giorgio Razzoli
Member	Maurizio Chiarini
Auditing Company	
	PricewaterhouseCoopers

The Shareholders' Meeting of April 29th 2008 appointed the Board of Directors' members.

The Board of Directors of April 30th 2008 confirmed Tomaso Tommasi di Vignano, Maurizio Chiarini and Giorgio Razzoli as Chairman, CEO and Vice President respectively and confirmed them as Executive Committee members.

1.04 Strategy

The internal growth strategy

Hera's main strategic objectives over the past five years involved the reorganisation of business activities in order to increase efficiency and develop markets by exploiting its strong points.

The significant size achieved through the mergers allowed Hera to exploit the economies of scale in purchasing management, and in management costs, while the reorganisation of activities within the Territorial Operative Companies' (TOC) model meant that operational management of services could be more efficient, also as a result of internal benchmarking.

The business portfolio was rationalised by eliminating activities which were considered to be non-strategic and not in keeping with the core business. This simplified and improved the operating profit. The reorganisation also led to the centralisation of some activities within the "divisions" so advantage could be taken of any common factors among the different businesses: one example of this would be the unitary management of maintenance of the gas and water networks leading to considerable rationalisation, and unitary management of the waste disposal plants situated in various locations around the area leading to significant savings in logistics.

The multi-business strategy also established cross-selling policies which quickly led to the expansion of the electricity and the special waste market due to the extensive captive client base already using the gas services.

In its pursuit of further synergy, the internal line growth strategy involved taking advantage of the deregulation of the energy markets by developing trading activities in addition to exploiting the contribution of "normal" growth policies such as price adjustments, increasing the customer base, and completing the plant coverage over the area.

The total sum of these management strategies that sustained most of the growth contributed to the Hera model in the industrialisation of the management of public utility services, and it was made into a "system" and used in all the merger operations carried out by the Group.

The external growth strategy

The growth strategy by external lines led to a Euro 114 million increase in EBITDA in five years through the finalisation of a significant number of mergers and acquisitions.

Two main principles guided the expansion strategy by external lines: expansion through mergers with multi-business companies operating in bordering areas and upstream integration of deregulated activities into the business chain.

The **multi-business development** line involved five companies, four of which are in the Emilia Romagna region.

(m €)	Integration	Revenues	EBITDA
Agea	2004	144	25
Meta	2005	278	65
Aspes	2006	90	13
Geat	2006	13	2
Sat	2008	62	12

The acquisition of Geat (Riccione), Agea (Ferrara), Meta (Modena) and Sat (Sassuolo - Modena) have given the Group a 70% coverage of the region in the activities that comprise Hera0s main business. As with Hera's original merger model, these operations were carried out by fully merging the company into Hera, mainly through share swaps.

Hera also extended its activities into the Marches, acquiring a holding in Marche Multiservizi which is the most important multi-utility company in the region, created by the merger of Aspes Multiservizi Spa of Pesaro and Megas di Urbino.

This strategy of further extending its multi-business and identifying certain domestic players to operate with has gained growing consensus among both public and private investors. Hera's public shareholders recently gave authorisation to the management to initiate contacts with the main listed multi-utility companies who have recently expressed interest in becoming strategic partners of Hera.

In the first meetings carried out in April, Hera presented a potential aggregation plan (100% of both share capital and industrial activities) to Acea, Enia and Iride, to be realised also through subsequent mergers between the companies, in order to create a single player in the Centre-North of Italy and a leading group in the multiutility sector.

The initial talks are aimed at reaching an agreement between the companies, which will be followed by a negotiation phase, in order to determine the methods and time-frames for the integration of the parties.

In addition to its multi-business development activities over the past five years, the company has also been involved in M&A operations with **single business** companies to strengthen its hold in the deregulated market of special waste management and energy activities.

The expansion of the gas sale and distribution activities was pursued through the acquisition of small to medium-sized companies operating in the reference market and leading to the company having over 90% penetration in the area.

Acquisitions in the gas sector	**Activity**	**% Owned**
Argile Gas (Bologna)	Sales	100.0%
Gasgas (Ferrara)	Sales	100.0%
Tecnometano (Ferrara)	Distribution	100.0%
TS Distribuzione (Bologna)	Distribution	100.0%
TS Energia (Bologna	Sales	100.0%
SGR Servizi (Rimini)	Sales	29.6%
Geat Gas (Riccione)	Sales and distribution	100.0%

In 2007 Hera also increased its holding to 10.4% of the share capital of Galsi in a joint venture with other international operators. Galsi was set up to construct a gas pipeline between Italy and Algeria. Its participation in the project allowed the Group to secure a 15-year term contract for the import of 1 billion cubic metres of gas directly from Algeria.

In the electricity sector, Hera acquired an indirect 5.5% holding in Tirrenopower Spa in 2003, and a 15% holding in Calenia Energia (a company set up to build an 800 MW CCGT plant in Sparanise in Campania) and a 39% holding in Set Spa (a company set up to build a 400 MW CCGT plant in Teverola in Campania) in 2004. The electricity distribution network for 18 municipalities in the province of Modena was also acquired from Enel in 2006, strengthening the regulated portion of the business.

The Group's 2007-2010 investment plans include the construction of a new CCGT (combined cycle gas turbine) cogeneration plant in Imola, with an installed capacity of 80 MW. All these initiatives will mean that the Group will be able to cover a significant portion of the supply demand by customers through own electricity power generation which it intends to balance out fully over the next few years.

Acquisitions in the electricity sector	Installed capacity	% Owned
Tirreno Power	Generation (2,600 MW)	5.5%
Calenia Energia	Generation (800 MW)	15.0%
Set	Generation (400 MW)	39.0%
Electrical energy grid (Modena province)	Distribution	100.0%

As regards the **waste** management business, Hera has strengthened its position as a market leader with the acquisition of the *Centro Ecologia Ambiente* in Ravenna from the Eni Group providing a waste to energy (WTE) plant for the treatment of special waste. this operation completed the range of services offered in the treatment of special waste.

The strategy of development of waste management plant infrastructures was pursued also through a programme of upgrading existing plants. Specifically, the WTE (waste-to-energy) plants in Bologna, Ferrara and Forlì were upgraded. A further three plants in Modena and Rimini are under construction. These plants have already obtained authorisation, and will bring the Group's WTE capacity a total of approximately 1 million tonnes of waste per year, with a generation capacity of over 100 Mwh.

This strategy of upstream integration means that the Group can now offer a wider range of competitive, quality services which is effective in gaining customer loyalty and can be further developed in the future.

Sustainability

Hera's multi-stakeholder approach forms part of the Group's mission and encompasses the long standing tradition of sustainable management of public services inherited from the companies that now form part of the Group.

This "DNA" has shaped the way that Hera's activities are organised and managed and recently regulated into a new ethics code which informs the actions of all the main Group components.

The organisation of company departments reflects the importance of sustainability and the continued dialogue with the key Group stakeholders: the Corporate Social Responsibility (CSR), Quality, Safety and Environment, external relations, and investor relations departments now report directly to the top management to guarantee continuous, qualified, and transparent communication.

The introduction of a remuneration-incentive scheme based on the balanced scorecard and strategic planning that sets targets (including targets relating to sustainability policy) ensured the commitment to continuously improve the main key performance indexes (KPIs) over the last five years.

Indicators	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Value added^ (m €)	797.8	792.4	715.4	535.5	408.0	367.7
Hours of training per capita	24.3	20.1	18.5	17.2	13.5	14.1
Accident frequency index*	42.5	47.5	50.1	56.8	67.6	73.2
Average call center response time (sec)	46.2	34.5	70.2	102.9	-	-
Value of supplies from local suppliers (% of total)	62%	70%	70%	-	-	-
Value of supplies from ISO 9001 cert. suppliers (% of total)	68%	60%	61%	-	-	-
Percentage of energy produced from renewable** and assimilated sources	69.8%	71.4%	68.0%	72.4%	87.2%	94.5%
WTE emissions compared to regulatory limits***	23.7%	25.0%	28.5%	27.5%	29.1%	-
Separate waste collection****	38.6%	33.5%	30.9%	30.4%	29.3%	26.2%
Low envir. Impact vehicles***** (% of total)	32.0%	25.4%	13.0%	13.9%	13.3%	-

^ 2005 figure includes Meta, 2006 and 2007 figures include the Aspes Group

** Calculated as number of accidents/hours worked x 1,000,000*

*** Includes waste to energy production*

**** Calculated as effective concentrations/regulatory limits (optimal value <100%)*

***** Calculated using the DPCM [Prime Minister's decree]*

****** Methane, electric power and biodiesel*

Since its inception, the Group has drawn up a sustainability report, which illustrates the results of the social and environmental policies implemented. In developing these policies over the last 5 years, the Group increased value added available for stakeholders by 2.25 times, up to Euro 800 million.

The significant improvements in the certification of the plants and the systems managed by the Group, and the increasing attention to energy saving and the reduction of pollution are just some examples of the efforts made and the future commitments included in the company plans regarding environmental matters that are especially important due to the intense use of water, energy, and environmental resources in the management of public services.

Over the past 5 years, significant investments and improvements have been made in customer assistance services through the establishment of more efficient call centres, integrated customer relationship management (CRM) systems, and improved sales branches, in order to exploit the real potential for further growth in the energy and environmental services, among other things.

The sustainable model was improved by continuously engaging with and supporting the people that work for Hera who are a key factor in its success. The Group has invested heavily in this resource in terms of involvement in management and profit sharing, professional growth, protection of rights and equal opportunities, and work safety.

The industrial plans

Since its IPO, the strategic objectives of Hera have always formed part of its industrial plans. The plans are established with a bottom-up logic and updated on an annual basis, both to examine previous Group expansion, and to update the objectives by developing macro reference scenarios.

The strategy pursued over the past five years was re-confirmed for the 2007-2010 plan, i.e. focusing on achieving the right cost - revenue balance, completion of new electricity generation plants from renewable and conventional sources, external growth strategies with the objective of increasing the size of the Group further, and strengthening its activities in the deregulated upstream market.

The economic and financial targets to 2010 provide for double figure growth even when just considering the internal growth only, represented by the balance of cost and revenue and the construction of new WTE plants and electricity generation. The expected growth will be supported by an investment plan of over Euro 1 billion, mainly financed with the cash flows generated by the business. The fact that the investments will be self-financing will provide the basis for a solid financial structure up to 2010, capable of supporting support the policy to increase dividends over the term of the plan.

1.05 Business Sectors

Hera has maintained a balanced development in all of its businesses, maintaining a balance between regulated services (integrated water services, collection and disposal of municipal waste, distribution of methane gas and electricity and district heating), and its non-regulated businesses (sale of methane gas and electricity, disposal of special and industrial waste and public lighting).

In addition to strengthening its market positions in its main businesses, significant growth was achieved in the electrical energy sector.

The low risk profile of the portfolio was especially clear in 2006 and 2007 when, following the unusually warm winter season, the negative trends in gas and heating activities were more than compensated for by profits of other business areas.

Waste Management

Hera is the leading domestic operator in the waste management sector by quantity of waste collected and disposed of. The Hera Group is an example of excellence in an Italian context characterised by a considerable dearth of infrastructures in this sector, with one of the nation’s most impressive plant infrastructures comprising 70 plants capable of covering the full range of possible waste treatment and waste to energy transformation.

This plant capacity can treat over 4.5 million tonnes of waste per year, of which 1.7 million tonnes of municipal waste produced in the provinces of Emilia Romagna, approximately 1.8 million tonnes produced by company customers and about 1 million of special waste internal production. This result was achieved because of the continued development of treatment capacity in the plants, and a constant increase in separate waste collection which has almost doubled in the five year period, increasing from 300 thousand to 640 thousand tonnes annually.

Hera is also one of the leading waste to electricity generators in Italy thanks to an installed capacity of 74 megawatts, which can produce over 358.6 Gwh per year.

Integrated Water Cycle

The Hera Group is the second largest operator in Italy in the management of the complete water cycle, i.e. from the collection and purification of waste water to the distribution of drinking water. Hera is the only operator to carry out this service in seven provinces in Emilia Romagna and the Marches in accordance with long term concession agreement contracts (on average up to 2022).

The increased efficiency in the management of over 25,000 kilometres of water networks, the economies of scale in purchasing, and the adjustment of tariffs to meet legal requirements were the key factors behind the EBITDA growth over the last five years for Euro 46 million. This result was further supported by the growth by external lines that contributed a further Euro 20 million in the five year period, from the integration of Agea, Meta e Aspes.

Energy

Thanks to the mergers made over the last five years, Hera has consolidated its position in the gas market and now covers the reference area almost completely. It is the leader among “local” companies, and the third largest in the country.

With over 1 million customers, Hera sells over 2.3 billion cubic metres per year, up an average of 10% annually.

Hera used the opportunity provided by the complete deregulation of energy product sales in Italy to develop a dual fuel sales offer (a combined offer of gas and electricity services) that notably increased the size of the electricity business by earning the trust of the gas customers and selling them electricity.

This strategy, along with the merger with Meta and the acquisition of Enel’s electricity distribution grid in 18 municipalities of the province of Modena led to the Group selling over 4.3 terawatts to over 270,000 customers, with a distribution grid of 5,500 kilometres.

Hera expanded its electricity generation and distribution capacity, effecting operational investments of approximately Euro 80 million over the five year period, and over Euro 145 million in gas distribution infrastructures. Energy trading activities have been significantly developed over the past five years and diversification has improved the provisioning portfolio with the agreement of long term contracts with various national and foreign suppliers.

Other Businesses

Further to the considerable rationalisation of Hera Group activities, which shall be completed in 2008, the "other businesses" that complement the core business have been reorganised and provided with integrated management.

Hera is an leading Italian company in the district heating sector with almost 400 GWh supplied in 2007, and the country’s second largest operator in public lighting with approximately 320,000 light points managed.

The growth in this business was mainly supported by internal development policies: rationalisation and decrease of non-strategic activities, reduction of costs and more efficient operations.

1.06 Hera on the Stock Exchange

In the first few months of 2008, all securities in the utilities sector were harshly affected by the plummeting global stock markets due to fears of an economic recession in the United States, as well as the Sogen and Bear Sterns cases and the effect of the subprime mortgage crisis on world markets.

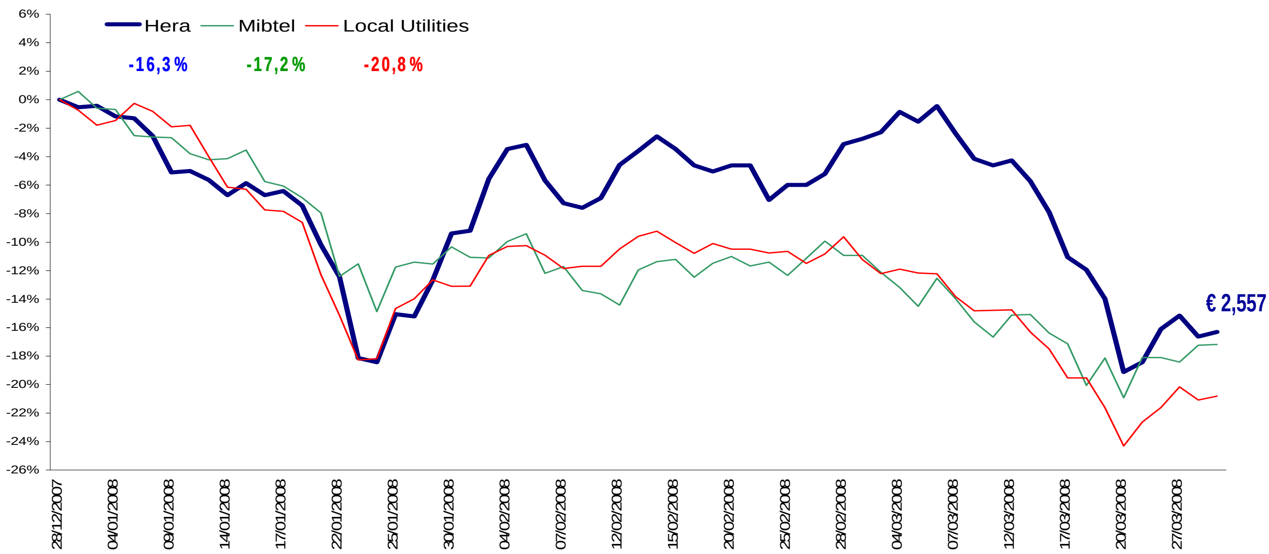
There has been a great deal of activity in the Italian utilities sector, regarding the consolidation process within the sector, mainly promoted by Hera, which started initial talks with other listed companies.

In this scenario, at the end of January, the Hera share recorded performance better than Mibtel and the Local Utility Index and in February, it was repeatedly among the securities with the greatest rises since the first trading day of the year, closing the month with the best performance since the beginning of the year compared to the benchmark (-2.7%).

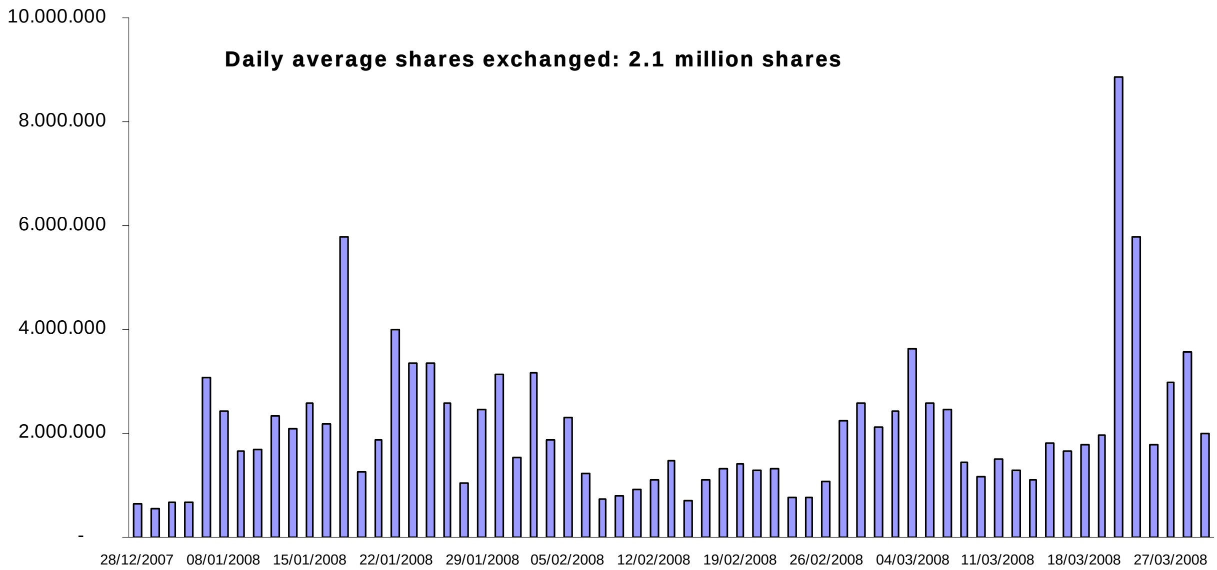
In March, in spite of the presentation of the annual results for 2007 and the inclusion of the stock in the Dow Jones Stoxx 600 index, the Hera share recorded negative performance, closing the quarter with an official price of Euro 2.557 per share (-16.3%). However, this performance was greater than Mibtel (-17,2%) and the Local Utility Index (-20.8%), which were influence by an extraordinary flow of shares sold by large investors undergoing a financial liquidity crisis.

In April numerous meetings were held to present the annual results for 2007 to the international financial community.

Hera Share Performance in the first quarter 2008



Hera share volumes traded in the first quarter of 2008



The average level of liquidity recorded in the trading of Hera shares rose in the first quarter of 2008 for the fourth year running, with an average of 2.1 million shares exchanged daily (for a daily average equivalent of Euro 6 million).

For a few years now, Hera's shares have been listed on the "Dow Jones Stoxx TMI" and "TMI Utility" indices, as well as on the "Axia Ethical Index" and "Kempen SNS Smaller Europe SRI Index" ethical indices. At the end of November 2007 Hera shares were also included on the MSCI small cap index.

The increase in liquidity and quotation levels in Hera shares between 2003 and today led to its inclusion in the Dow Jones Stoxx 600 on 25 March 2008. This includes the 600 most highly capitalised companies in 18 European countries.

Share coverage

At present, 14 independent analysts regularly cover Hera Group's shares, and half of these analysts are international, namely: Axia (ethical analysis), Banca Akros, IMI, Banca Leonardo, CAI Cheuvreux, Cazenove, Citigroup, Dresdner Kleinwort, Euromobiliare, Intermonte Securities, Kepler, Mediobanca, Merril Lynch, and Santander.

Hera shares were included among the "best picks" by some international analysts in the first few months of 2008, i.e. offering one of the best investment opportunities thanks to its low risk profile, the significant difference between market price and theoretical value (estimated at Euro 3.40 per share by the analysts) and potential for further growth stemming from possible future mergers.

Rating

Hera restructured its debts by issuing a fixed rate ten-year Euro 500 million eurobond (4.125%) in 2006, a Euro 100 million put-bond and a Euro 200 million extendable put-bond in 2007.

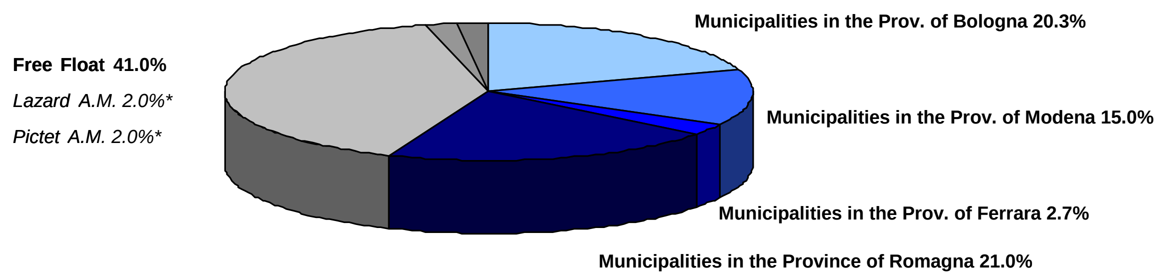
The financial robustness and profitability of the Group guaranteed an excellent rating both by Moody's (A1), and Standard&Poor's (A for long term debt and A-1 for short term debt).

The sustainable profile of the Hera Group received a positive ethical rating by Axia for the third year running (A+++).

Shareholding Structure

The increase in share capital decided by the extraordinary shareholders' meeting of 16 October 2007 to Euro 1,032,737,702 took effect on 1 January 2008 (corresponding to the same number of ordinary shares with a nominal value of 1 euro each) due to the incorporation of Sat Sassuolo, the most recent merger of a multi-utility which had already been integrated into the Territorial Operating Company of Modena.

The absence of a controlling shareholder in its structure (the largest shareholder is the municipality of Bologna with approximately 15%) is a feature which distinguishes Hera from the other local utility companies and it is the only company with this type of structure in Italy. The Hera share holding comprises over 180 public institutions (mainly municipalities in the areas covered) that have a total holding of more than 58% (of which 51% restricted by a shareholders' agreement), about 300 Italian and foreign institutional investors (about 37%), and almost 25,000 private shareholders (about 10%).



** Equity investments included in "free float"*

Some international institutional investors (Lazard Asset Management and Pictet Asset Management) hold "significant" shareholdings of approximately 2% of the share capital.

In 2006 Hera started a repurchase programme of its treasury shares for a maximum of 15 million shares, renewed by the shareholders' meeting of 26 April 2007 for a total amount of Euro 60 million, up from Euro 45 million. This plan was used to fund the acquisition of a division of Geat of Riccione, and will be exercised in future to reduce the dilutive effect of any further mergers with small companies.

Hera held around 672,098 treasury shares in its portfolio as at 31 March 2008.

Relations with the financial market

Since its listing, Hera's relations with financial market operators has been marked by transparency, clarity, and continuity to create long term trust. Over the years, meetings by management with international institutional investors mainly when presenting the annual results and industrial plans have gradually increased.

On 27 March, the annual results for 2007 were approved by the Board of Directors and presented to the international financial community.

In April the Hera Group organised an international Road Show covering the main financial markets (London, Paris, Geneva, Zurich, Toronto and New York), which involved the management in over 80 meetings.

The Hera Investor Relations division maintains close contact with the institutional investors also via the website. Financial communication is mainly carried out through the investor relations section on the website (www.gruppohera.it). It is constantly updated and has specific sections for each main investor category (professional, private and ethical) and for the bondholders.

On 12 March 2008 the new, completely Hera Group website went on line, completely revamped in terms of sections and graphic design: thus, the site has become a more interactive, complete instrument for customers, investors, suppliers and personnel.

In March 2008, when the annual results were released, all the figures related to the year 2007 were made available in real time and in an accessible format. The figures could be downloaded by the analysts directly from the website immediately after they were approved by the Board of Directors.

Report on operations

Consolidated summary results of the Hera Group

(million €)	31/03/2008	% Inc.	31/03/2008	% Inc.	% Change
Revenues	**746.7**		**1,001.3**		**+34.1%**
EBITDA	**134.5**	**18.0%**	**154.3**	**15.4%**	**+14.7%**
EBIT	87.1	11.7%	101.7	10.2%	+16.8%
Pre-tax profit	**70.0**	**9.4%**	**78.5**	**7.8%**	**+12.2%**

2.01 Financial and Economic Results

The first quarter 2008 was characterised by a more favourable climate trend compared to the same period of 2007, although with average temperature still higher than historic trends.

As regards the business and geographical expansion development, the year 2008 benefits form two extraordinary transactions, operating since 1 January:

- the incorporation of SAT Sassuolo, a multi-service company operating in the territory of the municipalities of Sassuolo, Fiorano Modenese, Formigine, Serramazzoni and Maranello, in the distribution sectors of gas, water and environmental hygiene.

- the extension of the scope of consolidation in the Marche region with the merger of Megas Spa in Aspes Multiservizi Pesaro, operating in the area of Urbino, from which the company Marche Multiservizi Spa was created. This transaction completes the aggregation process of local public services in the province of Pesaro-Urbino.

The effects of these transactions will be described, where necessary, in this report.

The following statements were prepared in full application of IAS standards as established by the law for listed companies.

The results of the first quarter 2008show all the growth indicators with respect to the same period of 2007, as provided in the following table in which the Group's main results are summarized:

Income Statement (mn/€)	**31/03/2007**	**% Inc.**	**31/03/2008**	**% Inc.**	**Abs. Change**	**% Change**
Revenues	746.7		1,001.3		+254.6	+34.1%
Change in inventories of finished products and work in progress	3.4	0.5%	2.1	0.2%	-1.4	-39.5%
Other operating income	9.3	1.3%	13.0	1.3%	+3.7	+40.0%
Raw mat.and consumable materials	(420.4)	-56.3%	(636.2)	-63.5%	+215.8	+51.3%
Costs for services	(159.1)	-21.3%	(180.7)	-18.0%	+21.6	+13.6%
Other operating costs	(15.9)	-2.1%	(18.9)	-1.9%	+3.0	+18.5%
Personnel costs	(76.6)	-10.3%	(85.5)	-8.5%	+8.9	+11.6%
Capitalised costs	47.1	6.3%	59.3	5.9%	+12.2	+25.9%
EBITDA	**134.5**	**18.0%**	**154.3**	**15.4%**	**+19.8**	**+14.7%**
Depreciation, Amort.and Provisions	(47.5)	-6.4%	(52.6)	-5.3%	+5.1	+10.8%
Operating profit	**87.1**	**11.7%**	**101.7**	**10.2%**	**+14.6**	**+16.8%**
Financial operations	(17.1)	-2.3%	(23.2)	-2.3%	+6.1	+35.3%
Pre-tax profit	**70.0**	**9.4%**	**78.5**	**7.8%**	**+8.5**	**+12.2%**

In the first quarter 2008, revenues amounted to Euro 1,001.3 million compared to Euro 746.7 million in the same period of 2007, disclosing a growth of 34.1%. The EBITDA increased from Euro 134.5 million in 2007 to Euro 154.3 in 2008, +14.7%, as did the EBIT, from Euro 87.1 to 101.7 million, with an increase of 16.8%. Net profit increased by 12.2%, passing from Euro 70.0 million in the first quarter 2007 to Euro 78.5 million in the same period of 2008.

The increase in **Revenues**, equal to Euro 254.6 million, should be viewed in relation to the following factors in order of importance:

- the increase in revenues in the Electricity Area, compared to the greater volumes traded and, to a lesser extent, the increase in price of raw material, up of about Euro 172.6 million
- the increase in volumes of sold and distributed gas as well as in trading, resulting in an increase in revenues equal to Euro 58.1 million
- the increase in revenues related to municipal sanitation services and the integrated water cycle due to tariff adjustments obtained
- the extension of the scope of consolidation to the municipalities in the area of Sassuolo and the province of Urbino.

The increase in **costs of raw materials and consumable materials**, equal to Euro 215.8 million (+34.1%) is linked to the rise in costs associated with higher volumes of electricity traded and the increase in sold and distributed gas volumes.

The increase in other operating costs (**Service costs** up by Euro 21.6 million and **Other operating costs** up by Euro 3.0 million) amounted in total to Euro 24.6 million (+14.0%), resulting by around 50% from the merger of SAT and Megas and by the other 50% from higher costs for investments.

Personnel costs rose from Euro 76.6 million of the first quarter 2007 to Euro 85.5 million in the same period of 2008 (+11.6%). The increase in costs is due to (i) the extension of the business areas (ii) increased expense related to the social security reform occurred at mid-2007 (iii) strong increases related to the renewal of the national collective agreements occurred in all the major work categories of the Group.

The increase in **Capitalised costs**, which rose from Euro 47.1 to Euro 59.3 million, is due to increased investments, also resulting from the extension of the scope of consolidation, the details of which are given in the special section.

As at 31 December, the Group's consolidated **EBITDA** increased from Euro 134.5 million in 2007 to Euro 154.3 million in 2008, an increase of 14.7%. This positive result was achieved thanks to the fact that operating costs were maintained unchanged, although in the presence of a higher turnover.

The percentage-based incidence of the EBITDA on Revenues decreased from 18.0% of the first quarter 2007 to 15.4% in the same period of 2008, resulting from the increase in energy trade activity and greater volumes of sold and distributed gas.

Amortisation and Depreciation increased by 10.8%, passing from Euro 47.5 million in the first quarter 2007 to Euro 52.6 in 2008, resulting from investments made.

The first quarter 2008 highlights an **Operating profit** equal to Euro 101.7 million, up by 16.8% compared to the same period of 2007.

Financial operations passed from a negative result recorded in the first quarter 2007, equal to Euro 17.1 million, to a deficit amounting to Euro 23.2 million in 2008. Financial charges, which include the figurative portion linked to the application of the IAS standards, net of the portion of profits from associated companies, rose from Euro 17.6 to Euro 24.1 million, involving an increase of 37.3% when compared to the same period of 2007. This growth is linked to (i) the rise in cost of money occurred on the financial markets, although mitigated by the careful financing policies adopted by the Group (ii)) the rise in indebtedness made necessary by the increased turnover and extraordinary investments of the Group.

In the light of the above, **Pre-tax profit** increased from Euro 70.0 million in the first quarter 2007 to Euro 78.5 million in 2008, an increase of 12.2%.

2.2 Investments

The tangible and intangible investments of the Group made in the first quarter 2008 amounted to Euro 88.4 million, an increase of Euro 13.7 million compared to Euro 74,7 million recorded in the same period of the previous year.
In the same period, financial investments were also made amounting to Euro 1.7 million. These investments refer to the increased potentiality in the energy sectors through equity investments in new plants (e.g. Galsi).

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

Total Investments (mn/€)	**31/03/2008**	**31/03/2008**	**Abs. Change**	**% Change**
Gas Area	5.5	9.2	+3.7	+67.9%
Electricity Area	6.0	10.8	+4.8	+80.1%
Integrated Water Cycle Area	29.3	33.3	+4.0	+13.8%
Waste Management	21.9	22.1	+0.2	+0.9%
Other services	5.7	5.5	-0.2	-3.6%
Central Structure	6.4	7.5	+1.1	+17.7%
Total Operating Investments	**74.7**	**88.4**	**+13.7**	**+18.3%**
Financial Investments	2.7	1.7	-1.0	-37.0%
Total Investments	**77.4**	**90.1**	**+12.7**	**+16.3%**

Investments in natural gas service in the area in question mainly refer to expansion, reclamation and upgrading of networks and plant systems. Investments by the company Medea regard the construction of a methane gas pipeline in Sassari. The increase in investments in this sector is mainly due to the extraordinary maintenance program scheduled in the gas distribution system redevelopment general plan.

Gas (mn/€)	**31/03/2008**	**31/03/2008**	**Abs. Change**	**% Change**
Territory	5.1	8.7	+3.6	+71.2%
Marche Multiservizi	0.1	0.2	+0.1	+58.0%
Medea	0.3	0.3	+0.0	+5.0%
Total Natural Gas	**5.5**	**9.2**	**+3.7**	**+67.9%**

Investments in the Electricity service refer to the expansion of service as well as the extraordinary maintenance of plant systems and distribution networks for the Modena and Imola area: the increase, with respect to the same period in the previous year, refer to the renewal and upgrading of networks and plant systems in order to ensure a service able to meet the increasing demand. Investments in combined cycle electricity and heat thermal power plants refer to the new Imola plant under construction.

Electricty (mn/€)	**31/03/2008**	**31/03/2008**	**Abs. Change**	**% Change**
Territory	2.8	4.7	+1.9	+67.9%
Production plants	3.2	6.1	+2.9	+90.8%
Total Electricity	**6.0**	**10.8**	**+4.8**	**+80.1%**

Investments relating to the integrated water cycle are considerably up compared to last year, for agreements signed with local ATOs (Optimal Territory Environment Agencies), consequently reflected in tariff increases. They mainly regard expansion, reclamation and upgrading of networks and plant systems. The value also includes investments on the distribution network of Sassuolo, equal to Euro 0.8 million.

Integrated Water Cycle (mn/€)	**31/03/2008**	**31/03/2008**	**Abs. Change**	**% Change**
Water system	13.8	18.2	+4.4	+32.2%
Purification	5.7	4.8	-0.9	-16.4%
Sewerage	9.8	10.3	+0.5	+5.4%
Total Water Cycle	**29.3**	**33.3**	**+4.0**	**+13.8%**

In the Waste Management sector, projects carried out on plants located throughout the area increased with respect to the previous year. Investments with regards to waste-to-energy plants, related to Canal Bianco (FE), Forlì, Modena and Rimini plants were in aggregate lower than the previous year.

Waste Management (mn/€)	**31/03/2008**	**31/03/2008**	**Abs. Change**	**% Change**
Existing plants parent company	3.8	6.5	+2.7	+69.3%
Existing plants investee companie	3.4	4.1	+0.7	+20.4%
New plants:				
WTE Canal Bianco (FE)	6.4	2.5	-3.9	-61.3%
WTE Modena 4th line	5.7	5.3	-0.4	-6.3%
WTE Modena 3rd line	0.0	0.1	+0.1	-
WTE Forlì	2.6	2.6	-0.0	-1.7%
WTE Rimini	0.0	1.0	+1.0	-
Total Waste Management	**21.9**	**22.1**	**+0.2**	**+0.9%**

Investments in the district heating service are mainly related to works for the expansion of the service in the areas of Bologna (Euro 2.4 million), Imola (Euro 0.6 million), Forlì Cesena (Euro 0.6 million), and Ferrara (Euro 0.8 million). Other investments were mainly for the construction of new cogeneration plants in companies in the area and work on heating plants linked to the heat management service. Item "Other" includes investments in Public Lighting and other minor services.

Other services (mn/€)	**31/03/2008**	**31/03/2008**	**Abs. Change**	**% Change**
District heating	3.4	4.7	+1.4	+41.0%
Heat Mgmt. and Micro-cogeneration	0.9	0.1	-0.8	-86.0%
Other	1.4	0.7	-0.7	-50.1%
Total Other Services	**5.7**	**5.5**	**-0.2**	**-3.6%**

Maintenance operations on the numerous real estate properties of the Group and investments for the renewal of the operating fleet were the most significant other investments in the central structure, together with significantly reduced investments in IT systems, which underwent a deep updating in the last few years. The implementation of the newly opened Telecontrol Pole in Forlì, had a significant impact on item "other investments" in the first quarter 2008.

Central Structure (mn/€)	**31/03/2008**	**31/03/2008**	**Abs. Change**	**% Change**
Real estate investments	1.8	3.5	+1.7	+94.4%
Information systems	3.1	1.9	-1.2	-38.9%
Fleet	0.9	0.9	+0.0	+4.8%
Other investments	0.6	1.2	+0.6	+93.9%
Total Structure	**6.4**	**7.5**	**+1.1**	**+17.7%**

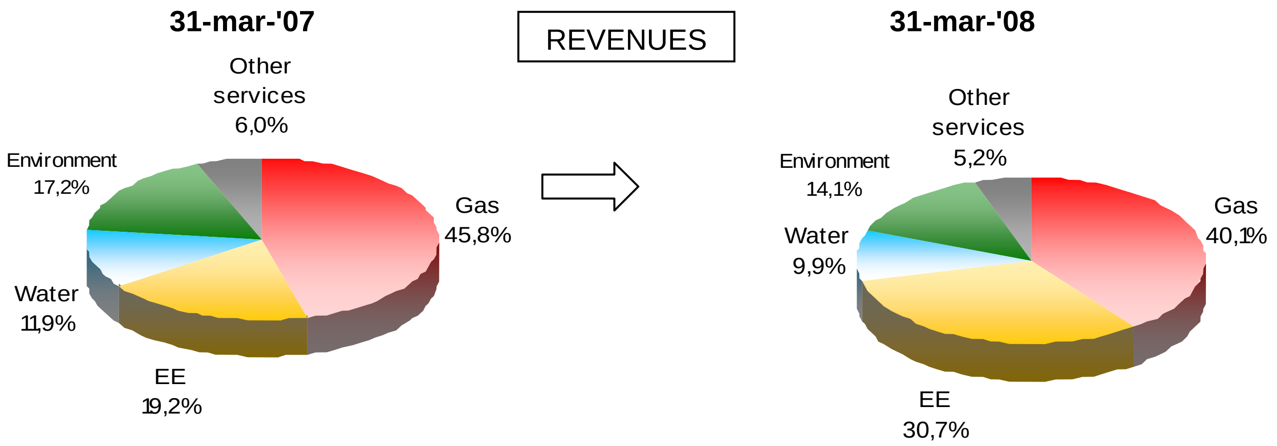
2.03 Analysis by Business Area

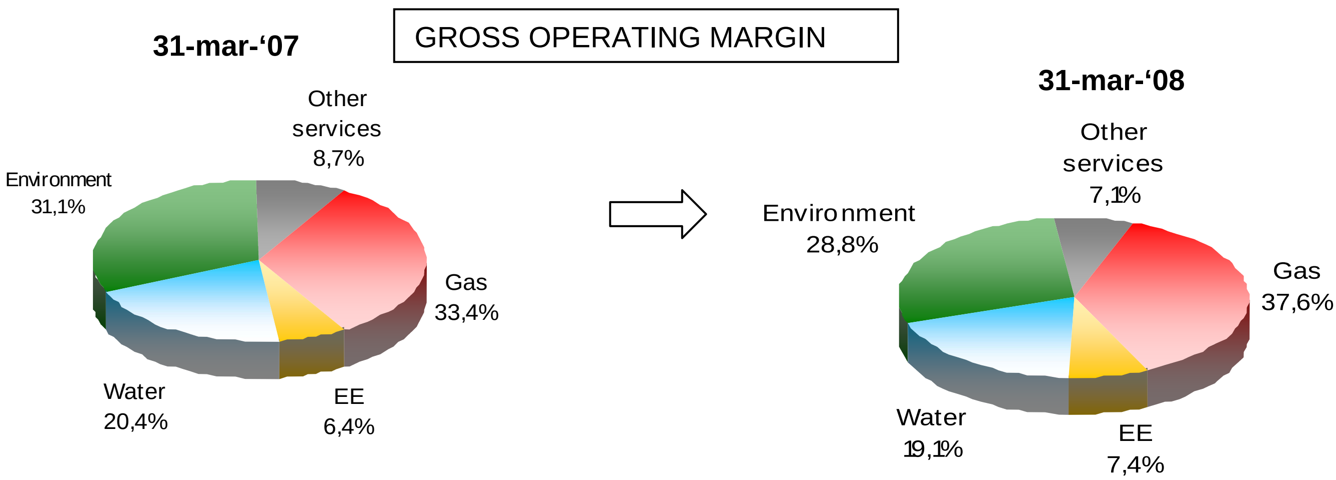
An analysis of the operating results achieved in the business segments in which the Group operates is presented below: (i) sector concerned with the distribution and sale of methane gas and LPG, (ii) sector regarding the distribution and sale of Electricity, (iii) Integrated Water Cycle sector (Aqueducts,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

The business segments did not undergo any substantial change in 2008 compared to 2006: with regards to the contribution towards EBITDA in the first quarter, the Gas area benefited from a more favourable climate trend compared to the same period of 2007, with the consequent decrease of contribution of other segments, except for the Electricity area, which continued to significantly increase in turnover.

In order to provide the necessary details on performance in 2008, analyses are shown of the various business segments that the Group operates in compared to 2007. The breakdown and development in the two years in terms of revenues and EBITDA are shown in the graphs below:

BREAKDOWN OF THE BUSINESS PORTFOLIO





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

It should also be noted that the analysis of the business segments includes the increases in construction on a time and materials basis/work in progress and, therefore, the related costs. These items, as envisaged in the indications of the IAS standards, are indicated by way of a cost adjustment as costs capitalised in the individual tables.

2.03.01 Analysis of the Gas Area

In the first quarter of 2008, the importance of the Gas sector, which includes sales and distribution activities, increased when compared to the same period last year by over 4 percentage points, in terms of margin contribution.

The importance of this business sector with respect to total Group activities is illustrated below:

(mn/€)	31/03/2008	31/03/2008	Abs. Change	% Change
Area EBITDA	**44.9**	**58.1**	**+13.2**	**+29.4%**
Group EBITDA	134.5	154.3	+19.8	+14.7%
Percentage	*33.4%*	*37.6%*	*+4.2 p.p.*	

The year 2008 benefitted form a more favourable climate trend with respect to the first quarter 2007, although a decreasing trend, which has been lasting since the last quarter 2006, is still recorded compared to the historical trends.

The table below quantifies this data and describes the change in volumes in the two periods examined, which affected the distribution and sales activity results.

Quantitative data	31/03/2008	31/03/2008	Abs. Change	% Change
Distributed volumes (millions of m2)	883.5	1,051.4	+167.9	+19.0%
Volumes sold (millions of m2)	950.6	1,095.7	+145.1	+15.3%
- of which trading	*89.4*	*87.5*	*-1.9*	*-2.2%*

With regards to the climate trend, distributed volumes increased from 883.5 million cubic metres in the first quarter 2007 to 1,051.4 million in the same period of 2008, with a 19.0% increase. Volumes sold increased from 950.6 million cubic metres of 2007 to 1,095.7 million in 2008, up by 15.3%. It should be noted that the greater increase of distribution with respect to sales is due to the contribution of SAT Sassuolo for about 49 million cubic metres, which affects the distribution portion only. It is also worth considering that the business area of the company in Urbino had an impact on both sales and distribution of less than 30 million cubic metres.

These two factors contributed to the financial results summarised below:

Income Statement (mn/€)	**31/03/2007**	**% Inc.**	**31/03/2008**	**% Inc.**	**Abs. Change**	**% Change**
Revenues	365.5		423.6		+58.1	+15.9%
Operating costs	(315.4)	-86.3%	(361.6)	-85.4%	+46.2	+14.7%
Personnel costs	(11.5)	-3.1%	(14.3)	-3.4%	+2.8	+24.5%
Capitalised costs	6.3	1.7%	10.3	2.4%	+4.0	+63.4%
EBITDA	**44.9**	**12.3%**	**58.1**	**13.7%**	**+13.2**	**+29.4%**

Revenues of the Gas area increased by 15.9%, passing from Euro 365.5 million in 2007 to Euro 423.6 million in 2008, due to greater volumes distributed and sold, which have an opposite impact on operating costs.

Higher capitalised costs and higher personnel costs are connected with the extended business area.

With respect to the previous year, the Group recorded an increase in EBITDA in the area, equal to Euro 13.2 million, passing from Euro 44.9 million to Euro 58.1 million, with an increase in the percentage margin from 12.3% in 2007 to 13.7% in 2008.

2.04.02 Analysis of the Electricity Area

As a result of the merger of Meta, the acquisition of the former Enel network in the province of Modena, and the increase in sales to end customers and trading activities, the Group's Electricity sector contributed for around one third to the Group's aggregate turnover, thus showing a continuous improvement on total margins.

The first quarter 2008 confirmed the above mentioned issues by recording a growth of Euro 2.8 million of EBITDA, from Euro 8.6 million in 2007 to 11.4 million in 2008.

At the same time, an increase in the percentage-based incidence of the Group's total, from 6.4% in 2007 to 7.4% in 2008 is recorded, as shown in the table hereunder:

(mn/€)	31/03/2008	31/03/2008	Abs. Change	% Change
Area EBITDA	**8.6**	**11.4**	**+2.8**	**+32.1%**
Group EBITDA	134.5	154.3	+19.8	+14.7%
Percentage	*6.4%*	*7.4%*	*+1.0 p.p.*	

An analysis of the Electricity sector results is given below:

Income Statement (mn/€)	31/03/2007	% Inc.	31/03/2008	% Inc.	Abs. Change	% Change
Revenues	152.9		323.7		+170.8	+111.7%
Operating costs	(143.2)	-93.7%	(313.1)	-96.7%	+169.9	+118.6%
Personnel costs	(4.8)	-3.1%	(4.7)	-1.5%	-0.1	-2.0%
Capitalised costs	3.8	2.5%	5.5	1.7%	+1.7	+45.7%
EBITDA	**8.6**	**5.6%**	**11.4**	**3.5%**	**+2.8**	**+32.1%**

Revenues more than doubled, passing from Euro 152.9 million in the first quarter 2007 to Euro 323.7 million in 2008, with an increase of 111.7%, resulting from the greater volumes traded which are mainly linked to trading.

Over 2007, electricity power plants, in which the Group holds an equity investment, were started in Teverola and Sparanise: this allowed to benefiting from a greater procurement of raw materials at a competitive price, thus increasing the Group's trade capacity.

The increased business explains the proportional increase in operating costs due to the purchase of raw materials, while percentage margins decreased from 5.6% in the first quarter 2007 to 3.5% of 2008, related to the greater volumes traded.

Labour costs remained unchanged with respect to the first quarter of 2007, while capitalised costs increased due to greater investments made on the Group's networks.

The following table gives a detailed breakdown of the revenues by type:

(millions of euro)	31/03/2007	% Inc.	31/03/2008	% Inc.	Abs. Change	% Change
Sales revenues	86.0	56.3%	124.4	38.4%	+38.4	+44.6%
Revenues from distributi	12.5	8.2%	11.4	3.5%	-1.1	-9.1%
Trading/other	54.3	35.5%	188.0	58.1%	+133.7	+246.1%
Total revenues	**152.9**	**100.0%**	**323.7**	**100.0%**	**+170.8**	**+111.7%**

Sales revenues increased by 44.6% as a result of greater volumes deriving from the strengthening of the trade action and the increase in average energy price on the market. Lower distribution revenues are connected with the application of new tariffs issued AEEG at end 2007. The strong increase of trading revenues on the electricity market is in line with business developed over 2007.

The quantitative data for the sector, by customer type, illustrated below demonstrate the trend in the volumes linked to the afore-mentioned management policies:

Quantitative data	31/03/2008	31/03/2008	Abs. Change	% Change
Volumes sold (Gw/h)	1,029.0	1,240.3	+211.3	+20.5%
Volumes distributed (Gw/h)	563.4	572.0	+8.6	+1.5%

We should note that the electricity sales market was fully de-regulated on 1 July 2007, just as had previously been done for the gas market: this de-regulation did not have any significant effects on the results of the first quarter 2008.

As at 31 March 2008, the EBITDA recorded an increase compared to the first quarter 2007, from Euro 8.6 million to Euro 11.4 million, with a 32.1% increase.

2.03.03 Analysis of the Integrated Water Cycle Area

The Group currently operates in the Integrated Water Cycle management sector in over 180 municipalities, with more than 2.5 million inhabitants, with almost complete coverage of the area in question.

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

Agreements were set up with all of the aforementioned agencies regulating the integrated water service, and in addition to lengthening the license terms up to 2022 on average, also guarantee the Group the return on its capital investment over the next few years.

Over the first quarter 2008, the Integrated Water Cycle sector showed an improvement of its results compared to the same period in the previous year:

(mn/€)	31/03/2008	31/03/2008	Abs. Change	% Change
Area EBITDA	**27.4**	**29.4**	**+2.0**	**+7.4%**
Group EBITDA	134.5	154.3	+19.8	+14.7%
Percentage	20.4%	19.1%	-1.3 p.p.	

The results show a trend in line with expectations, with an increase in turnover mainly due to the extension of the business to the Sassuolo and Urbino areas, as well as to the application of tariffs approved by the Agencies and defined according to a logic of full coverage of the invested capital.

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

Income Statement (mn/€)	31/03/2007	% Inc.	31/03/2008	% Inc.	Abs. Change	% Change
Revenues	94.7		104.3		+9.6	+10.1%
Operating costs	(76.0)	-80.2%	(84.8)	-81.3%	+8.8	+11.6%
Personnel costs	(21.7)	-22.9%	(25.0)	-23.9%	+3.3	+15.0%
Capitalised costs	30.4	32.1%	34.9	33.5%	+4.5	+14.7%
EBITDA	**27.4**	**29.0%**	**29.4**	**28.2%**	**+2.0**	**+7.4%**

Revenues, equal to Euro 104.3 million, increased by 10.1% compared to the first quarter 2007, as a result of (i) increase in the scope of consolidation by around Euro 6 million (ii) in a negative sense, a reduction in works carried out for about Euro 4 million (iii) for the remaining amount, increase in revenues from tariffs related to services rendered.

It should be noted that in the first quarter of the previous year, the Group borne a lower cost for the purchase of water from third party companies due to the particularly dry weather, with an impact on results of over Euro 2 million.

Taking account of the above-mentioned factor, the increase of operating costs amounted to Euro 8.8 million, mainly due to the extension of the scope of consolidation, the increase in investments and, in the opposite sense, the reduction in works.

The increase in capitalised costs, equal to Euro 4.5 million, is due to the increase in investments, as described in the specific section, that are entirely made by the by the local operating companies (Sot) within the Group organisation.

The following table shows the main quantitative indicators in the sector, which increased as compared to the previous year, due to new mergers:

Quantitative data	**31/03/2008**	**31/03/2008**	**Abs. Change**	**% Change**
Volumes sold (millions of m2)				
Water system	56.3	58.4	+2.1	+3.8%
Sewerage	47.9	50.8	+2.9	+5.9%
Purification	49.8	50.9	+1.1	+2.1%

The EBITDA at the end of the first quarter 2007 increased by Euro 2.0 million, passing from Euro 27.4 million in 2007 to Euro 29.4 million in 2006 (+7.4%). The increase is to be considered as very positive, in the light of the afore-mentioned benefits recorded in 2007.

2.03.04 Analysis of the Waste Management Area

The Waste Management sector – confirming the previous results – showed increased margins with respect to the first quarter 2007, as highlighted in the following table:

(mn/€)	31/03/2008	31/03/2008	Abs. Change	% Change
Area EBITDA	**27.4**	**29.4**	**+2.0**	**+7.4%**
Group EBITDA	134.5	154.3	+19.8	+14.7%
Percentage	20.4%	19.1%	-1.3 p.p.	

For some time now, the Hera Group has been the most important integrated operator in the sector at European level, due to the fact that it has over 70 treatment and disposal plants for municipal and special waste.

The Group operates through 7 ATOs in the provinces of Ravenna, Forlì-Cesena, Rimini, Bologna, Ferrara Modena and Pesaro-Urbino in the area of municipal sanitation services including, sweeping, collection, and disposal of municipal waste, just as for the water cycle services. The definition of agreements pursuant to current legislative provisions has also been finalised for this sector.

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

Income Statement (mn/€)	31/03/2007	% Inc.	31/03/2008	% Inc.	Abs. Change	% Change
Revenues	137.0		148.7		+11.7	+8.5%
Operating costs	(64.2)	-46.9%	(72.0)	-48.4%	+7.8	+12.2%
Personnel costs	(32.5)	-23.7%	(35.7)	-24.0%	+3.2	+9.8%
Capitalised costs	1.5	1.1%	3.4	2.3%	+1.9	+122.4%
EBITDA	**41.8**	**30.5%**	**44.4**	**29.8%**	**+2.6**	**+6.1%**

Revenues at the end of the first quarter 2008 disclosed an increase of 8.5%, rising from Euro 137.0 million in 2007 to Euro 148.7 million of the same period this year. The increase in sales refers to higher revenues in the municipal sanitation services due to tariff adjustments obtained and higher volumes disposed, in addition to mergers in the scope of consolidation.

Separate waste collection, net of volumes arising from sweeping activities (as envisaged by the DPCM project on separate collection of 5 June 1997), in terms of percentage-based incidence on total volumes collected, increased by approximately five percentage points, increasing from 35.8% in the first quarter 2007 to 40.4% in the first quarter 2008.

As can be seen in the following table, the quantity of waste disposed of increased by 6.6%.

Quantitative Data (thousands of tonnes)	31/03/2007	% Inc.	31/03/2008	% Inc.	Abs. Change	% Change
Municipal waste	381.5	35.7%	396.9	34.9%	+15.4	+4.0%
Waste from the market	361.6	33.9%	335.3	29.5%	-26.3	-7.3%
Special waste from plant by-products	222.0	20.8%	290.2	25.5%	+68.2	+30.7%
Direct customers of subsidiaries	103.0	9.6%	115.7	10.2%	+12.7	+12.3%
Waste treated by type	**1,068.1**	**100.0%**	**1,138.1**	**100.0%**	**+70.0**	**+6.6%**
Landfills	363.1	34.0%	352.2	30.9%	-10.9	-3.0%
Waste-to-Energy plants	138.5	13.0%	142.0	12.5%	+3.5	+2.5%
Selection plants	65.8	6.2%	87.9	7.7%	+22.1	+33.5%
Compost plants	86.9	8.1%	68.4	6.0%	-18.5	-21.3%
Inert. and chemical plants	219.1	20.5%	252.4	22.2%	+33.3	+15.2%
Other	194.7	18.2%	235.1	20.7%	+40.6	+20.8%
Waste treated by plant	**1,068.1**	**100.0%**	**1,138.1**	**100.0%**	**+70.0**	**+6.6%**

The above noted analyses of the quantitative data shows lower use of the landfills and composting plants and greater use of the selection and chemical-physical stabilisation plants, as well as, to a lesser extent, of waste-to-energy plants.

The EBITDA of the Waste Management area increased from Euro 41.8 million in the first quarter 2007 to Euro 44.4 in the same period of 2008, with a 6.1% increase.

It should be recalled that the suspension of CIP/6 contributions on electric power produced by the plant in Rimini and the Ecologia Ambiente plant in Ravenna had a negative impact on EBITDA of almost Euro 3 million.

2.03.05 Analysis of the Other Services Area

The Other Services sector, which includes the Public Lighting, District Heating and Heat Management and Micro generation Services, showed a decrease compared to the first quarter 2007 due to the disposal of some no-core services, partially offset by a recovery on other services.

(mn/€)	31/03/2008	31/03/2008	Abs. Change	% Change
Area EBITDA	**27.4**	**29.4**	**+2.0**	**+7.4%**
Group EBITDA	134.5	154.3	+19.8	+14.7%
Percentage	20.4%	19.1%	-1.3 p.p.	

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

Income Statement (mn/€)	31/03/2007	% Inc.	31/03/2008	% Inc.	Abs. Change	% Change
Revenues	47.7		55.4		+7.7	+16.1%
Operating costs	(35.0)	-73.2%	(43.8)	-78.9%	+8.8	+25.1%
Personnel costs	(6.1)	-12.8%	(5.8)	-10.5%	-0.3	-4.7%
Capitalised costs	5.0	10.5%	5.2	9.3%	+0.2	+4.3%
EBITDA	**11.7**	**24.6%**	**11.0**	**19.9%**	**-0.7**	**-6.0%**

Revenues rose with respect to the previous year, mainly due to a greater turnover in the Heat Management, District Heating and Public Lighting services, which offset the decrease in revenues from minor services discontinued during 2007.

As regards EBITDA, the negative impact of disposals was only partially offset by a better result recorded in the other services, specially district heating and micro generation.

The major indicators in the Other Services area are shown in the following table:

Quantitative data	31/03/2008	31/03/2008	Abs. Change	% Change
District Heating				
Volumes of heat distributed (Gwh	170.0	205.8	+35.8	+21.0%
Public lighting				
Light points (thousand)	305.7	319.1	+13.4	+4.4%
Municipalities served	58	60	+2	+3.4%

2.4 Analysis of the net financial situation

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

	(mn/€)	31/03/2008	% Inc.	31/12/2007	% Inc.	Abs. change	% Change
a	**Cash on hand**	**131.9**		**211.0**			
b	**Other current loans**	**7.1**		**10.0**			
	Current bank indebtedness	-117.0		-149.6			
	Current portion of bank indebtedness	-75.8		-86.1			
	Other current loans	-14.8		-7.6			
	Current financial assets/liabilities from derivative instruments	10.0		-0.2			
	Due to financial leases coming due during the next financial year	-5.6		-5.6			
c	**Current financial indebtedness**	**-203.2**		**-249.1**			
d=a+b+c	**Net current financial indebtedness**	**-64.2**	**4.3%**	**-28.1**	**2.0%**	**+36.1**	**-56.2%**
e	**Non-current loans**	**6.6**		**6.6**			
f	**Non-current financial assets/liabilities from derivative instruments**	**1.0**		**7.8**			
	Non-current bank indebtedness	-490.5		-475.9			
	Bonds issued	-798.8		-798.2			
	Other non-current loans	-124.3		-122.4			
	Due to financial leases coming due after the next financial year	-15.6		-13.9			
g	**Non-current financial indebtedness**	**-1,429.2**		**-1,410.4**			
h=e+f+g	**Net non-current financial indebtedness**	**-1,421.6**	**95.7%**	**-1,396.0**	**98.0%**	**+25.6**	**-1.8%**
i=d+h	**Net financial indebtedness**	**-1,485.8**	**100.0%**	**-1,424.1**	**100.0%**	**+61.7**	**-4.2%**

Net financial position increased from Euro 1,424.1 million as at 31 December 2007 to Euro 1,485.1 million as at 31 March 2008. The increase is due to recurring seasonal needs and a higher turnover.

An indebtedness mainly comprising medium/long-term debt, which cover over 95% of total indebtedness is confirmed, duly offsetting the Group's financial and asset structure characterised by a high value of the fixed assets.

Hera SpA's long term Moody's rating is still "A1 stable" and the Standard & Poor rating is still "A stable".

2.5 Human Resources

The Hera Group had 6,564 employees as at 31.03.08 (consolidated companies), with the following breakdown by role: Managers (122), Middle managers (301), Employees (2,936), and Workers (3,205). This workforce was the result of the following changes: new recruits (121), leavers (69), changes in scope of consolidation (+398).

	31-Dec-07	31-Mar-08	Change
Managers	109	122	13
Executives	286	301	15
White-collar workers	2700	2936	236
Blue-collar workers	3019	3205	186
Total	**6,114**	**6,564**	**450**

The actual changes are included in the following table:

	31-Mar-08
Staff employed at the end of 2007	**6,114**
New recruits	123
Leavers	-69
Net flows	**54**
Perimeter Variation *	396
Staff employed at close of period	**6,564**

New recruits over the year were mainly due to:

- consolidation of fixed-term contracts to open-ended contracts
- new recruits of professional profiles non yet present within the Group
- changes in scope of consolidation with joining companies (see details)

* Changes in scope of consolidation : 209 Sat 187 Megas

Consolidated Financial Statements

3.01 Reclassified consolidated income statement

€/000	*31-mar-2008* *(3 months)*	*31-mar-2007* *(3 months)*	*31-dic-2007* *(12 months)*
Revenues	1.001.279	746.690	2.863.298
Change in inventories of finished products and work in progress	2.085	3.445	-4.249
Other operating income	12.981	9.343	46.038
Consumption of raw materials and consumables (net of change in inventories of raw materials and stock)	-636.243	-420.363	-1.613.916
Costs for services	-180.730	-159.805	-724.694
Personnel costs	-85.482	-76.578	-300.912
of which, non-recurring			5.278
Amortisation, depreciation and allocations	-52.594	-47.473	-232.797
Other operating costs	-18.890	-15.246	-50.399
Capitalised costs	59.256	47.062	238.212
Operating profit	101.662	87.075	220.581
Investee share of profit (loss)	272	511	1.235
Financial income	4.229	4.548	28.599
Financial charges	-27.673	-22.181	-107.875
Profit before tax	78.490	69.953	142.540

3.02 Consolidated net financial position

In accordance with the requirements set forth in the CONSOB Communication dated 28 July 2006 and pursuant to the CERS recommendation dated 10 February 2005, “recommendations for the uniform implementation of the EC Regulation on financial reporting”, the Group’s net financial position is as follows:

	(in millions of €)	31-Mar-2008	31-Dec-2007
a	**Cash and cash equivalents**	**131.9**	**211.0**
b	**Other current loans**	**7.1**	**10.0**
	Current bank indebtedness	-117.0	-149.6
	Current portion of non-current bank indebtedness	-75.8	-86.1
	Other current financial indebtedness	-14.8	-7.6
	Financial assets/liabilities from derivative instruments	10.0	-0.2
	Due to financial leases coming due during the next financial year	-5.6	-5.6
c	**Current financial indebtedness**	**-203.2**	**-249.1**
d=a+b+c	**Net current financial indebtedness**	**-64.2**	**-28.1**
e	**Non-current loans**	**6.6**	**6.6**
f	**Non-current financial assets/liabilities from derivative instruments**	**1.0**	**7.8**
	Non-current bank indebtedness	-490.5	-475.9
	Bonds issued	-798.8	-798.2
	Other non-current loans	-124.3	-122.4
	Due to financial leases coming due after the next financial year	-15.6	-13.9
g	**Non-current financial indebtedness**	**-1,429.2**	**-1,410.4**
h=e+f+g	**Net non-current financial indebtedness**	**-1,421.6**	**-1,396.0**
i=d+h	**Net financial indebtedness**	**-1,485.8**	**-1,424.1**

3.03 Content and form of the accounting statements

The consolidated quarterly report of the Hera Group as at 31 March 2008 was drawn up in compliance with the provisions of art. 82 of the “Regulations containing the provisions for implementation of Legislative Decree o. 58 of 24 February 1998, on the matter of issuers” (Consob Resolution no. 11971 of 14 May 999 and subsequent amendments). This report is not subject to an accounting audit.

Based on the aforementioned art. 82, the quarterly report has been drawn up by applying, solely to the valuations, the international accounting standards IFRS according to the contents of Attachment 3D of said regulations. Thus, this quarterly report has not been drawn up in compliance with the accounting standards regarding infra-annual reporting (IAS 34 “Interim Financial Reporting”).

The data of this quarterly situation are comparable with those of the previous periods. It should be noted that the quarterly situation as at 31 March 2008 presents no non-recurring cost or income items, as included in the financial statement as at 31 December 2007. The format of the income statement for the first three months of 2007 was reclassified, with respect to the version previously published; specifically “Other portions of profits/losses” and “Dividends from other companies” were reclassified from item “portions of profits/losses from associated companies” to the respective “Financial income” and "Financial charges” items, for an aggregate of Euro 42 thousand, consistently with the approach adopted in the income statement related to financial year 2007.

The format used for the income statement requires the classification of costs by nature, which is considered as better representing company results. In addition, sub-totals have been inserted in order to point out the interim figures (operating income) also used in disclosing data to third parties.

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

This consolidated quarterly situation as at 31 March 2008 has been approved by the Board of Directors on 14 May 2008.

3.04 Accounting standards and policies

The quarterly report of the Hera Group as at 31 March 2008 includes the quarterly financial statements of the Parent Company, Hera SpA and those of the subsidiary companies. Control is obtained when the Parent Company has the power to determine the financial and operating policies of a company in such a way as to benefit from its activities.

Subsidiary companies whose size is insignificant, where the voting rights are subject to serious and long-term restrictions and the subsidiary companies held for the exclusive purpose of their subsequent disposal are excluded from the scope of line-by-line consolidation and are valued at cost.

Investments representing non-current assets in associated companies whose size is significant are carried at equity. Those of an insignificant size are instead carried at cost.

The companies held exclusively for the purpose of their disposal are excluded from consolidation and assessed at the lower between cost and fair value. These investments are recorded as separate items.

There are no companies consolidated under the proportional method.

The list of companies included within the scope of consolidation, including the changes with respect to the previous year, is illustrated at the end of these notes.

The financial statements used for the preparation of the balance sheet and income statement schedules were those which the companies included within the scope of consolidation reclassified and adjusted (on the basis of specific instructions issued by the Parent Company) for the purposes of consistency with the accounting policies and principles of the Hera Group. With regard to associated companies, adjustments in shareholders' equity values were considered in order to adapt to IAS/IFRS principles. Specifically, the income statement includes, on a line-by-line basis, the income and charges of the companies included in the scope of consolidation, while the income and charges, and profits and losses generated from operations carried out between companies included in the scope of consolidation have been eliminated. Dividends recorded in the income statements of the consolidated companies are eliminated during the consolidation process of the relevant companies, against the retained earnings reserves under shareholders' equity. Dividends declared by companies assessed at cost remained accounted for in the income statement.

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

The accounting standards applied to the Group are set forth below.

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

As of the date of changeover to the IFRS – 1 January 2004 – the Group adopted the criteria of fair value as a replacement for cost *(fair value as deemed cost)* for tangible fixed assets, applying it selectively to certain categories of assets; the additional value which emerged was credited directly to reserves. The adoption of the fair value occurred on the basis of an expert appraisal carried out by an independent expert which made it possible, amongst other things, to identify the individual plant and machinery components of a significant amount and with a different useful life, in accordance with the approach for components envisaged by IAS 16.

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

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

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

General services	min %	max %
Land	0,00	0,00
Buildings	1,50	3,00
Property complex - Via Razzaboni Mo		
- land	0,00	0,00
- buildings	1 - 1.25	2 - 2.5
- external building works	1,66	3,33
Light construction	5,00	10,00
General plant	7,50	15,00
Equipment	5,00	10,00
Office furniture and machines	6,00	12,00
EDP machines	10,00	20,00
Vehicles and internal means of transport	10,00	20,00
Automobiles	12,50	25,00
Measurement and laboratory equipment	5,00	10,00
Remote control equipment	10,00	20,00
- remote control apparatus (RTU)	5,00	10,00
- supervision centres	4,16	8,33
- data transmission network (telephone cable)	2,50	5,00
- data transmission network (fibre optics)	3,33	6,67
Public lighting	4,00	8,00
- type 1 centre	2,00	4,00
- type 2 centre	1,25	2,50
- lighting unit (multiple points)	1,25	2,50
- lighting unit (single points/columns)	2,00	4,00
- flux controllers	1,25	2,50
- distribution network	1,43	2,86
- votive lighting	1,66	3,33
Electricity substations	3,50	7,00

Purification service	min %	max %
Land	0,00	0,00
Buildings/Civil works	1,50	3,00
Buildings IDAR construction section	1,50	3,00
General and specific plant	7,50	15,00
Specific IDAR plant	5,00	10,00
Specific ITFI plant	5,00	10,00
Specific plant	5,00	10,00
- Purification plant/Civil works	1,66	3,33
- Purification plant/Installations	3,33	6,67
Lifting plant	6,00	12,00
Laboratory equipment	5,00	10,00
Network	2,50	5,00
Electricity substations	3,50	7,00
Equipment	5,00	10,00
Furniture	6,00	12,00

District heating and gas service	**min %**	**max %**
Land	0	0
1st stage pressure reducer stations - Abstraction		
- Buildings	2,50	5,50
- General plant	7,50	15,00
- Specific plant	4,00	10,00
2nd stage pressure reducer stations – district – Specific plant user stations	5,00	10,00
User transformers – Specific plant	4,00	8,00
Distribution network in steel	2,22	8,00
Distribution network in cast iron or spheroidal cast iron	2,00	8,00
Distribution network in PE or PVC	2,86	8,00
Outlets/Intakes	2,50	8,00
Meters	4,00	10,00
Cathodic protection	4,00	8,00
Electricity substations – Specific plant	3,50	7,00
Cogeneration and district heating:		
- Production – Buildings	2,50	5,50
- Production – General plant	4,50	9,00
- Production – Specific plant	4,50	9,00
Distribution network	2,86	8,00
Meters	2,50	5,00
Heat exchange units	4,50	9,00
- Boilers	1,43	2,86
- Heat exchangers	2,50	5,00
- Expansion tanks	1,66	3,33
Pumping stations		
- Electricity substations	2,00	4,00
- Generators	2,75	4,55
- Pumps	3,33	6,67
- Electricity substations	3,50	7,00
Equipment	5,00	10,00

Water service	**min %**	**max %**
Land	0	0
Buildings/Civil works	1.75	3.50
Wells		
- Buildings/Civil works	1.75	3.50
- General and specific plant	1.25	2.50
- Disinfection plant	2.50	5.00
- Pumps	5.00	10.00
- Building works	1.43	2.86
Abstraction – Buildings/Civil works	1.25	2.50
Lifting and fresh water stations		
- Buildings/Civil works	1.75	3.50
- General plant	7.50	15.00
- Specific plant	6.00	12.00
- Fresh water plant	4.00	8.00
- Disinfection plant	2.50	5.00
- Transformers	2.00	4.00
- Pumps	3.34	6.67
- Reservoirs	1.25	2.50
- Filtration plant and filters	2.78	5.56
- Generators and blowers	2.28	4.55
- Building works	1.43	2.86
Reservoirs	2.00	4.00
- Disinfection plant	2.50	5.00
- Building works	1.11	2.22
Pipelines and distribution network	2.50	5.00
Distribution network in steel, cast iron or spheroidal cast iron	1.00	2.00
Distribution network in reinforced cement-PE-PVC	1.43	2.86
Outlets/Intakes and connections	2.22	5.00
Meters	4.00	10.00
Electricity substations – Specific plant	3.50	7.00
Vehicles	10.00	20.00

Electricity Production and Distribution Service.	**min %**	**max %**
Land	0	0
Buildings	1,50	3,00
MV underground and overhead distribution network	2,00	4,00
LV underground and overhead distribution network	4,00	8,00
HV/MV – LV/MV transformers	3,50	7,00
- station transformers	2,00	4,00
- pole transformers	2,50	5,00
Connections	3,33	8,00
Meters	4,00	10,00
Tables	1,66	3,33
Limiting devices	1,66	3,33
Masonry and single-pole stations	1,66	3,33
Polyfers	1,25	2,50
Receiver stations	1,66	3,33

Waste Management service	min %	max %
Land	0,00	0,00
Buildings	1,50	3,00
Secondary building units (warehouse)	1,50	3,00
General plant	7,50	15,00
Specific IIR plant	5,00	10,00
- land	0,00	0,00
- buildings	1.00 – 1.25	2.00 – 2.50
- fixed plant with real estate pertinency	1.66 – 2.00	3.33 – 4.00
- external building works	1,66	3,33
- electricity generation plant	2,00	4,00
- general plant	2,50	5,00
- waste-to-energy post-combustion furnace boiler and fume recov	2,50	5,00
- waste-to-energy heater with fluid bed boiler line	3,57	7,14
- steam turbine and electricity generation	2,50	5,00
- waste-to-energy line control systems	5,00	10,00
Specific BIOGAS plant, storage + IRE	5,00	10,00
- land	0,00	0,00
- buildings	1.00 – 1.25	2.00 – 2.50
- fixed plant with real estate pertinency	1.66 – 2.00	3.33 – 4.00
- external building works	1,66	3,33
- electricity generation plant	2,50	5,00
- CDR packing	2,50	5,00
- selection, chopping, feeding and sorting plant	2.50 – 3.33	5.00 – 6.67
- ventilation plant	3,33	6,67
- general plant – deactivation plant – storage reservoirs	2,50	5,00
- control systems	5,00	10,00
- containers and bins	5.00 – 10.00	10.00 – 20.00
- internal handling equipment	4,16	8,33
Specific waste composting plant	5,00	10,00
- land	0,00	0,00
- buildings	1.00 – 1.25	2.00 – 2.50
- fixed plant with real estate pertinency	1.66 – 2.00	3.33 – 4.00
- external building works	1,66	3,33
- general plant and lifting equipment	3,33	6,67
- pre-selection plant	2,50	5,00
- mixing plant	3.33 – 5.00	6.67-10.0
- palleting plant	5,00	10,00
- energy recovery plant	2,50	5,00
- screening and refining plant	3.33 – 4.16	6.67-8.33
- weighing plant	2,25	5,00
- dioxidization / organic treatment systems	3,33	6,67
- second maturing	5,00	10,00
- cumulus turning and internal handling equipment	4,16	8,33
Vehicles and internal means of transport	10,00	20,00
Waste containers and equipment	5,00	10,00
General equipment	5,00	10,00
Snow service equipment	5,00	10,00
Sanitary equipment	5,00	10,00
Light construction	5,00	10,00
Automobiles	12,50	25,00
Controlled landfills		

Land is not depreciated.

Landfills are depreciated on the basis of the percentage filled.

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

In the period in which the asset is acquired the rates are reduced by 50%, as this is deemed to provide a reasonable approximation of the distribution of acquisitions over the year.

For assets subject to amortisation/depreciation with a unit cost of less than Euro 516 and for which the possible use at maximum efficiency will not extend beyond the financial year, the amortisation/depreciation schedule has been prudently calculated providing for a single instalment of amortisation/depreciation equal to the cost of the asset.

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

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

Research and development costs for new products and/or processes are essentially booked, absent the multi-year use requirement, to the income statement in the period they are incurred.

Advertising expenses are charged directly to the income statement.

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

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

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

Business combinations – IFRS 3 is applicable to the business combinations which have come about as from 31 March 2004. The Company has applied this standard for the acquisitions of the Agea Group in Ferrara, the Meta Group in Modena, the Geat Distribuzione Gas Group in Riccione and the Sat Group in Sassuolo.

IFRS 3 envisages that business combinations be recorded in accordance with the acquisition method. Specifically, the acquisition cost is determined by the sum total of the current values, as of the date of exchange, of the activities given, the liabilities incurred or undertaken and the financial instruments issued by the Group in exchange for control over the company acquired, in addition to the costs directly attributable to the combination; the only exception is represented by non-current assets which are classified as "held for sale" in compliance with IFRS 5 and stated and valued at current values less the sales costs.

The goodwill deriving from the acquisition is recorded as an asset and initially valued at cost, represented by the additional value of the acquisition cost when compared with the Group portion of the current values of the identifiable assets, liabilities and potential liabilities recorded. If, after the re-calculation of these values, the Group portion of the current values of the identifiable assets, liabilities and potential liabilities exceeds the acquisition cost, the surplus is recorded via the income statement.

Availing itself of the faculty envisaged by the IRFS, the Group has not retroactively applied IFRS 3 to the business combination transactions which took place before the date of changeover to the IAS/IFRS standards; these transactions have been recorded at the same values determined on the basis of the previous accounting principles.

IFRS 3 was also applied to acquisitions which did not generate the corresponding extraordinary transactions within the Parent Company.

Goodwill deriving from consolidation represents the additional value of the acquisition cost with respect to the percentage due to the Group of the assets and liabilities, stated at fair value, of the subsidiary, associated or jointly controlled investee companies as of the acquisition date.

Goodwill deriving from the acquisition of an associated company is included in the book value of the investee company.

In case of purchases of further equity interests after achieving the control, the positive difference between the cost incurred for the purchase and the percentage of possession of the net assets acquired, valued at fair value, is registered as consolidation difference.

Losses in value (Impairment) - As of each balance sheet date and when events or situation changes indicated that the book value cannot be recovered, the Group takes into consideration the book value of the tangible and intangible fixed assets in order to assess whether there is any indication that said assets have suffered a reduction in value. If there is any indication in this sense, the recoverable amount of said assets is estimated so as to determine the total of the write-down. The recoverable amount is either the net sales price or the usage value, whichever is the greater. Where it is not possible to estimate the recoverable value of an asset individually, the Group estimates the recoverable value of the unit generating the financial flows to which said assets belong. Future cash flows are discounted back at a discount rate (net of taxation) which reflects the current valuation of the market and takes into account the risks associated with the specific business activities.

If the recoverable amount of an asset (or of a unit generating financial flows) is estimated as lower than the related book value, the book value of the assets is reduced to the lower recoverable value and the impairment is booked to the income statement. When there is no longer any reason for a write-down to be maintained, the book value of the asset (or the unit generating financial flows), with the exception of goodwill, is restated at the new value deriving from the estimate of its recoverable value; however, this new value cannot exceed the net book value which the asset would have had if the write-down had not been made for the loss in value. The write-back of the value is charged to the income statement, unless the asset is valued at re-valued value, in which case the value write-back is charged to the revaluation reserve.

Treasury shares - In application of IAS 32 and 39, treasury shares are recognised as a reduction in shareholders' equity. Also, any differences generated by future purchase or sale transactions are recorded directly as changes in shareholders' equity, without passing via the income statement.

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

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

Other equity investments and securities – The other equity investments and securities belong to the category set forth in IAS 39 "financial assets available for sale". They comprise instruments representative of shareholders' equity and are stated at fair value.   When the market price or fair value cannot be calculated, they are assessed at cost and can be adjusted in case of losses in value.

If the reasons for the write-down cease to exist, the investments carried at cost are revalued within the limits of the write downs made and the effect is booked to the income statement, or to shareholders' equity if the investments are held as assets available for sale. The risk deriving from any losses exceeding the book value of the investment is recorded in a specific reserve to the extent that the holder is obliged to fulfil legal or implicit obligations vis-à-vis the investee company or in any event cover its losses. As outlined below, financial assets which the Company intends or is able to maintain until maturity, are stated at cost represented by the fair value of the initial payment made in exchange, increased by the transaction costs. Following initial registration, the financial assets are valued on an amortised cost basis using the effective interest rate method.

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

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

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

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

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

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

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

Trade receivables – Trade receivables are recorded at par value, reduced by an appropriate write-down in order to reflect the expected realisable value, corresponding to the "amortised cost".

Financial assets – Financial assets are recorded and reversed from the financial statements on the basis of the date of transaction and are initially valued at cost, inclusive of the charges directly associated with the acquisition. As of subsequent balance sheet dates, the financial assets which the Group intends and is able to hold until maturity are recorded at cost, amortised/depreciated on the basis of the effective interest rate method, net of the write-downs made in order to reflect any losses in value. Financial assets other than those held until maturity, are classified as held for trading purposes or available for sale and are valued at fair value at each period end, with recognition to the income statement or shareholders' equity.

This item includes securities destined for long-term holding, usually for investment purposes, which differ from those represented by the shares that comprise equity investments. Such securities registered at amortised cost, are mainly comprised of bonds and government securities. The cost is written down to reflect any impairment.

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

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

Employee leaving indemnity and other employee benefits – The liabilities relating to the defined-benefits plans (such as employee leaving indemnities - TFR) are calculated net of any assets serving the plan on the basis of actuarial suppositions and on an accruals basis in line with the employment services necessary for obtaining the benefits; the valuation of the liability is checked by independent actuaries. The portion of the net cumulative value of actuarial gains and losses exceeding 10% of the current value of the obligations related to defined benefits as at the end of the prior financial year, shall be depreciated over the remaining average working life of employees (corridor method).

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

Trade payables – These refer to commercial supply transactions and are recorded at par value, corresponding to the amortised cost.

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

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

On a consistent basis with the chosen strategy, the Group does not enter into derivative transactions for speculative purposes.

The transactions which, in observance of the risk management policies, satisfy the requisites laid down by the accounting standards for hedge accounting treatment are classified as “hedging”, while those which, despite being entered into for hedging purposes, do not satisfy the requisites required by the standards, are classified as “trading”.

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

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

In relation to the instruments classified as cash flow hedges which observe the conditions for the accounting treatment as hedging transactions, the gains and losses deriving from the determination of their market value are booked to shareholders' equity. In the event that the hedging relation ceases (for instance due to the maturity of the underlying assets), the valuation of the derivative instruments is recorded in the income statements through the release of the specific cash flow hedge reserve. The underlying asset was valued in accordance with the reference principles. The changes in the fair value of the derivative instruments which are not classified as hedging are recorded in the income statements for the period in which they occur. The ineffective part of the derivative is also valued at the end of the period and is registered in the income statement.

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

The changes in the fair value of the derivative instruments which are not classified as hedging are recorded in the income statements for the period in which they occur.

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

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

Specifically:

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

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

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

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

New accounting principles

Effective from 2007, the following international accounting principles and the interpretations published on the Official Gazette of the European Community were applied, and they affected only the content of the explanatory notes.

•IFRS 7 "Financial instruments: additional disclosures" which requires a wide disclosure related to the nature and management procedures of credit, liquidity and market risks; such disclosure is provided within this note;

•IFRIC 8 "Scope of application of IFRS 2", which defines the IFRS 2 accounting principle "Share-based payments", not applicable to companies;

•IFRIC 9 "Revaluation of incorporated derivatives" which governs some aspects of the treatment of incorporated derivatives within the framework of IAS 39 "Financial instruments": valuation and recording", not applicable to companies;

•IFRIC 10 "Interim financial statements and impairment" which clarifies that losses due to impairment, registered for the goodwill, as well as certain financial assets included in the interim financial statements should not be eliminated from the following interim or annual financial statements. This principle was not applied given the absence of any write-downs made in interim periods.

It should be further noted that the following accounting principles and interpretations, with reference to which the company is currently assessing procedures and terms of application, have been published:

•IFRS 8 "Business segments" applicable as from 1 January 2009, will replace IAS 14 "Segment reporting".

•IFRIC 11 "Transactions in treasury shares and in shares of group's companies" applicable as from 1 January 2008.

Risk management

Credit risk

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

Liquidity risk

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

Foreign exchange risk and interest rate risk

The Group is exposed to the price risk for energy products and the relevant exchange rates, given that it effects some purchases transactions of raw materials, the prices of which are quoted in foreign currencies, or are influenced by the fluctuations of their rates. Exposure to the interest rate risk arises from the need to finance the operations, and to invest any available liquidity. Fluctuations in market interest rates may negatively, or positively, affect the economic result of the Group, thus indirectly affecting costs and returns of financing and investment transactions. The Group regularly assesses its exposure to the foreign exchange and interest rates risks, and manages these risks through the use of derivative financial instruments, in accordance with the provisions of its risk management policies. Within the context of these policies, the use of derivative financial instruments is only reserved for the purpose of managing the exposure to fluctuations in foreign exchange rates and interest rates connected with monetary flows and balance sheet assets and liabilities; under these policies, no speculative activity is allowed.

Significant estimates and valuations

The preparation of this quarterly report required the directors to use estimates and valuations, with effects on the balance sheet figures, based on historical data and on the forecasts of specific events that should reasonably occur on the basis of currently available information. These estimates, by definition, are an approximation of the final figures. Hence the main areas characterised by valuations and assumptions that could give rise to variations in the values of assets and liabilities by the next accounting period are set forth below. Specific information is provided on the nature of these estimates and the assumptions on which they have been based; as regards the reference book values, reference should be made to the notes to the accounts.

Employee leaving indemnity

The estimate of employee leaving indemnities calculations as at 31.03.08 considers the effects of the amendments to the regulations, implemented by Law no. 296 of 27 December 2006 (Finance Bill 2007) and subsequent decrees and regulations issued in the first few months of 2007, as well as the indications provided by the Italian Standard Setter (OIC), the Italian Bankers' Association (ABI) and the National Council of Actuaries. Specifically, the provisions were restated at 31 December 2006, adopting the new methodological framework, i.e., applying the hypothesis that for all Group companies with more than 50 employees, the quotas matured starting from 1 January 2007 were defined contribution benefit plans and thus, are not included in the calculation of the provisions. Thus curtailment, the item in the income statement which represents the impact of the reform on the calculation of the provisions as at 31 December 2006, was calculated as the difference between the provisions as at 31 December 2006 pre-reform and post-reform. Consequently, the portions related to the financial years 2004, 2005 and 2006 (the so called actuarial gains/losses, determined on the basis of the application of the "corridor method", in accordance with IAS 19, were registered in the income statement during the financial year 2007.

Allocations to provisions for risks. - These provisions have been made by adopting the same procedures as previous years and hence by referring to the updated reports of the legal counsel and the consultants following the disputes, as well as on the basis of developments in the related proceedings.

3.05 List of Companies

List of Group Companies consolidated with the Line-by-line method

Name	Registered Office	Share Capital	Percentage held		Total	Overall share
			Direct	Indirect		
Parent Company Hera Spa	Bologna	1.032.737.702				
Acque Srl	Pesaro	102.700		100,00%	100,00%	41,87%
Akron Spa	Imola (Bo)	1.152.940	57,50%		57,50%	57,50%
Ambiente 3000 Srl	Bologna	100.000	51,00%		51,00%	51,00%
Ares Spa cons.in liquidation	Bologna	1.125.240	100,00%		100,00%	100,00%
Asa Spa	Castelmaggiore (Bo)	1.820.000	51,00%		51,00%	51,00%
Aspes Gas Srl	Pesaro	1.000.000		100,00%	100,00%	41,87%
Ecologia Ambiente Srl	Ravenna	20.000.000	100,00%		100,00%	100,00%
Ecosfera Spa	Ferrara	1.000.000	100,00%		100,00%	100,00%
Eris Scrl	Ravenna	300.000		51,00%	51,00%	51,00%
Famula On-line Spa	Bologna	4.364.030	60,00%		60,00%	60,00%
Frullo Energia Ambiente Srl	Bologna	17.139.100	51,00%		51,00%	51,00%
Gal.A. Spa	Bologna	300.000	60,00%		60,00%	60,00%
Gastecnica Galliera	Bologna	312.000	100,00%		100,00%	100,00%
Hera Bologna Srl	Bologna	1.250.000	100,00%		100,00%	100,00%
Hera Comm Mediterranea Srl	Carinaro (Ce)	50.000		50,01%	50,01%	50,01%
Hera Comm Srl	Imola (Bo)	88.591.541	100,00%		100,00%	100,00%
Hera Energie Bologna Srl	Bologna	926.000		51,00%	51,00%	51,00%
Hera Energie Rinnovabili Spa	Bologna	120.000	100,00%		100,00%	100,00%
Hera Ferrara Srl	Cassana (Fe)	810.000	100,00%		100,00%	100,00%
Hera Forlì-Cesena Srl	Cesena (Fc)	650.000	100,00%		100,00%	100,00%
Hera Imola-Faenza Srl	Imola (Bo)	750.000	100,00%		100,00%	100,00%
Hera Luce Srl	San Mauro Pascoli (Fc)	264.012	89,58%		89,58%	89,58%
Hera Modena Srl	Modena	1.150.000	100,00%		100,00%	100,00%
Hera Ravenna Srl	Ravenna	850.000	100,00%		100,00%	100,00%
Hera Rete Modena Srl	Bologna	22.221.850	100,00%		100,00%	100,00%
Hera Rimini Srl	Rimini	1.050.000	100,00%		100,00%	100,00%
Hera Servizi Funerari Srl	Bologna	10.000	100,00%		100,00%	100,00%
Hera Trading Srl	Imola (Bo)	2.600.000	100,00%		100,00%	100,00%
Herasocrem Spa	Bologna	2.218.368	51,00%		51,00%	51,00%
Ingenia Srl	Imola (Bo)	52.000	74,00%		74,00%	74,00%
Marche Multiservizi Spa	Pesaro	13.055.799	41,87%		41,87%	41,87%
Medea Spa	Sassari	4.500.000	100,00%		100,00%	100,00%
Megastrade Srl	Urbino (Pu)	100.000		70,00%	29,31%	29,31%
Natura Srl	Cagli (Pu)	10.000		58,00%	24,28%	24,28%
Nuova Geovis Spa	Sant'Agata Bolognese (Bo)	2.205.000	51,00%		51,00%	51,00%
Recupera Srl	Voltana di Lugo (Ra)	1.673.290	100,00%		100,00%	100,00%
Romagna Compost Srl	Cesena (Fc)	3.560.002	60,00%		60,00%	60,00%
Sinergia Srl	Forlì (Fc)	579.600		59,00%	59,00%	59,00%

List of Group Companies consolidated with the Equity Method

Name	Registered Office	Share Capital	Percentage held		Total	Overall share
			Direct	Indirect		
Acantho Spa	Imola (Bo)	17,375,781	47.45%		47.45%	47.45%
Adriatica Acque Srl	Rimini (Rn)	89,033		25.54%	25.54%	25.54%
Agea Reti Srl	Ferrara	19,000,000	39.72%		39.72%	39.72%
Agess Scarl	Forlì (Fc)	79,750	21.44%		21.44%	21.44%
DYNA Green Srl	Milano	30,000		33.33%	33.33%	33.33%
Estense global service	Ferrara	10,000		23.00%	23.00%	23.00%
Feronia	Finale Emilia	2,430,000	40.00%		40.00%	40.00%
FlamEnergy Trading Gmbh	Vienna	3,000,000		50.00%	50.00%	50.00%
Modena Network Spa	Modena	3,000,000	32.00%	14.24	46.24%	46.24%
Oikoten Scrl	Siracusa	1,101,730	46.10%		46.10%	46.10%
Pri.Ge.A.S	Prignano	15,600	49.00%		49.00%	49.00%
Refri Srl	Reggio Emilia	6,800,000	20.00%		20.00%	20.00%
SATCOM Spa	Sassuolo (Mo)	2,000,000	47.50%		47.50%	47.50%
SGR Servizi Spa	Rimini	5,982,262		29.61%	29.61%	29.61%
Service Imola Srl	Borgo Tossignano (Bo)	10,000	40.00%		40.00%	40.00%
SET Spa	Milano	120,000	39.00%		39.00%	39.00%
So.Sel Spa	Modena	5,982,262	26.00%		26.00%	26.00%

3.06 Certification pursuant to article 81 ter of Consob regulations no. 11971 dated 1999

The undersigned Mr Maurizio Chiarini in his capacity as Managing Director, and Mr Giovanni Barberis in his capacity as Manager in Charge of the preparation of the corporate accounting documents of Hera Spa, certify, also in consideration of the provisions of article 154-*bis*, paragraphs 3 and 4, of the legislative decree no. 58 dated 24 February 1998:

- the adequacy with reference to the features of the company and the actual application

of the administrative and accounting procedures for the preparation of this consolidated quarterly report as at 31 March 2008.

We further certify that this consolidated quarterly report as at 31 March 2008:

a. is consistent with the data contained in the accounting books and entries;
b. is drawn up in compliance with the International Financial Reporting Standards of the European Union and with the measures issued in application of article 9 of the legislative decree no. 38/2005

and, as far as we are aware, it provides a true and accurate representation of the capital, economic and financial situation of the issuer as well as of the group of companies included in the consolidation perimeter.

The Managing Director	The Manager in Charge
Maurizio Chiarini	Giovanni Barberis

14 May 2008

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Tax identification number BO 04245520376
Capital stock fully paid € 1,032,737,702