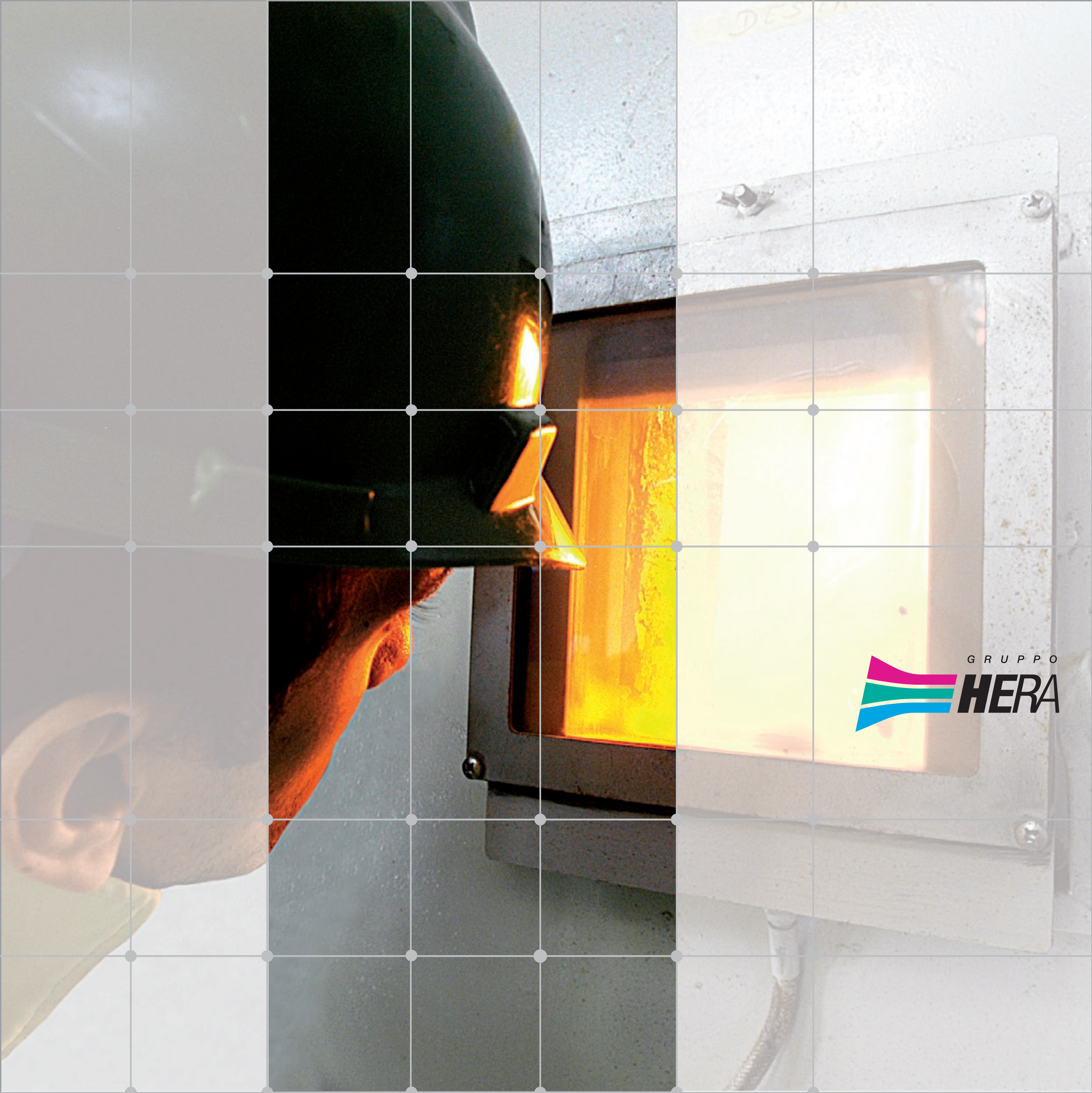


‘08 quarterly report

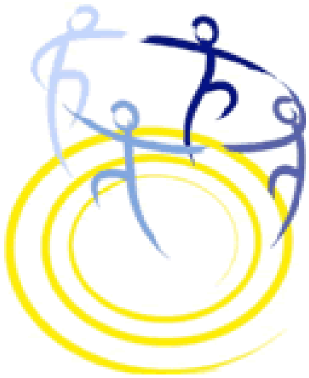
consolidated as at 30th september

Content

Quarterly report on Hera Group as at 30 September 2008

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."*

Company Officers

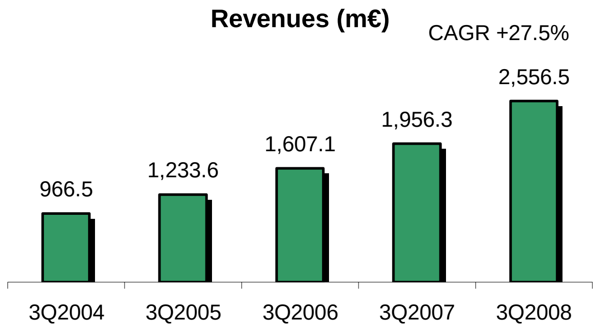
Board of Directors	
Chairman	Tomaso Tommasi di Vignano
Vice Chairman	Giorgio Razzoli
Managing Director	Maurizio Chiarini
Director	Mara Bernardini
Director	Filippo Brandolini
Director	Luigi Castagna
Director	Mauro Cavallini
Director	Piero Collina
Director	Piergiuseppe Dolcini
Director	Ferruccio Giovanelli
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
Executive Committee	
Chairman	Tomaso Tommasi di Vignano
Vice Chairman	Giorgio Razzoli
Member	Maurizio Chiarini
Independent Auditors	
	PricewaterhouseCoopers

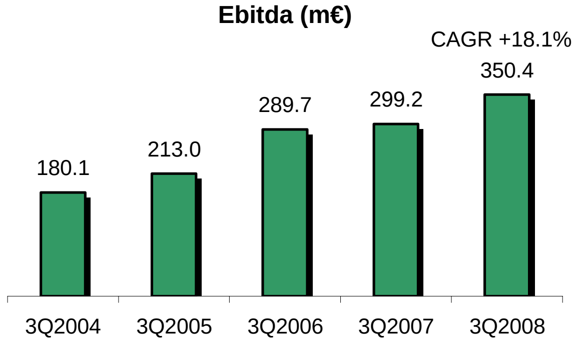
The members of the Board of Directors indicated above were appointed at the shareholders' meeting dated 29 April 2008 and their appointment will expire with the approval of the financial statements for 2010.

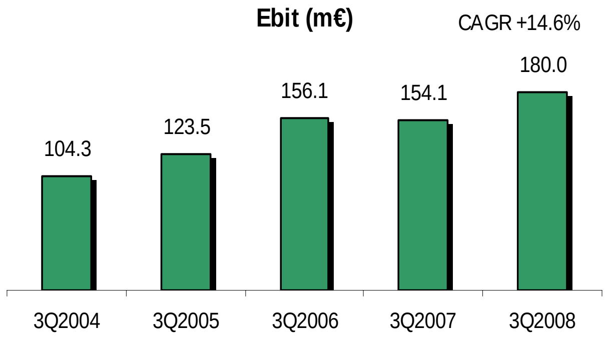
Quarterly report on Hera Group as at 30 September 2008

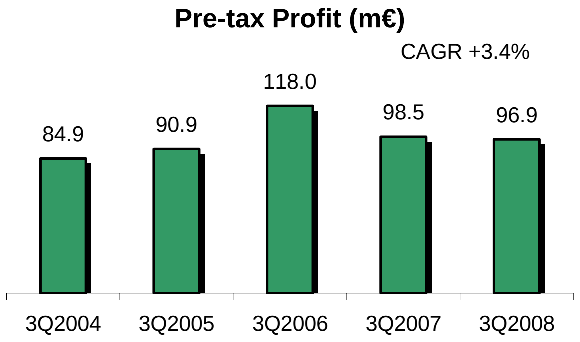
1 - Quarterly report on Hera Group

1.01 Highlights









Economic highlights (m€)	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008	Cagr %
Revenues	966.5	1,233.6	1,607.1	1,956.3	2,556.5	27.5%
Ebitda	180.1	213.0	289.7	299.2	350.4	18.1%
Ebit	104.3	123.5	156.1	154.1	180.0	14.6%
Pre-tax Profit	84.9	90.9	118.0	98.5	96.9	3.4%

1.02 Strategy

The external growth strategy

The growth strategy by external lines contributed to a 45% increase in EBITDA in five years, for Euro 114 million, 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 geographical 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.

(ml€)	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 Hera’s 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.

This merger procedure, which allowed for the creation of synergies (still amongst the most significant of those carried out in Italy and realised through mergers in this industry), provides for the restructuring of all corporate activities in accordance with a "matrix" model mainly comprised of local operating entities, which manage multibusiness operating activities and the relations with the customers directly in the areas of reference, and of “central” divisions which decide the strategic directions of the Group and coordinate the activities of the local companies.

Hera also extended its activities into the region of Marche, 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.

In the first few days of October the negotiations related to the merger project with Iride and Enìa were interrupted on grounds that, in spite of over five months of talks, it had not been possible to reach an agreement for the realisation, by the end of the year, of a “full” merger of the companies involved.

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 industry	Activity	Ownership
Argile Gas (Bologna)	Sale	100.0%
Gasgas (Ferrara)	Sale	100.0%
Tecnometano (Ferrara)	Distribution	100.0%
TS Distribuzione (Bologna)	Distribution	100.0%
TS Energia (Bologna)	Sale	100.0%
SGR Servizi (Rimini)	Sale	29.6%
Geat Gas (Riccione)	Sale & Distribution	100.0%
Megas Trade (Urbino)	Sale	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 July 2008, Hera formalised the purchase of Megas Trade, company operating in the province of Urbino, active in the sale of gas and electricity with over 36,000 clients, which represents a further step in the territorial consolidation in the Marche region, and which allowed the realisation of the 2007-2010 business plan for the Marche region. Such transaction comes in addition to the acquisition by Hera Group of Liguria Gas Service and 3,600 clients in the province of Modena.

Furthermore, Hera was recently assigned a transport capacity on the TAG equal to 120 million cubic meters of gas for a period of 20 years, starting in October 2009.

In the electricity sector, Hera acquired an indirect 5.5% holding in Tirreno Power Spa in 2003, and a 15% holding in Calenia Energia (a company set up to build an 800 MW CCGT - *combined cycle gas turbine* - 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 and forthcoming turning on of a new CCGT cogeneration plant in Imola, with an installed capacity of 80 MW. 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**	**Ownership**
Tirreno Power	Generation (2.600 MW)	5.5%
Calenia Energia	Generation (800 MW)	15.0%
Set	Generation (400 MW)	39.0%
Rete energia elettrica (prov. Modena)	Distribution	100.0%
Megas Trade	Sale	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 significant programme of upgrading existing plants. Specifically, the Wte plants in Bologna, Ferrara (started in the first half of the year) and Forlì (started in July) were strengthened. A further three plants in Modena and Rimini are under construction, 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.

The internal growth strategy

Hera's main strategic objectives since its inception in 2002, involve 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, allows Hera to exploit economies of scale in managing purchases and in curbing management costs, while the reorganisation of activities within the territorial operative companies led to higher levels of efficiency in the operational management of services, also as a result of internal benchmarking, and to the maintenance of good relations with customers.

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 the integrated 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 market (volumes sold five times higher than those registered in 2002) and of the special waste market (volumes processed up by 50% in 5 years) due to the extensive captive client base already using other 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, which continue to increase the operating efficiency of the Group.

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 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^ (ml€)	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	42.4	47.5	50.1	56.8	67.6	73.2
Average call centre response time (sec)	46.2	34.5	70.2	102.9	-	-
Value of supplies from local suppliers (% on aggregate)	62%	70%	70%	-	-	-
Value of supplies from ISO9001 certified suppliers (% on aggregate)	68%	60%	61%	-	-	-
Portion of energy produced from renewable sources ** and similar	69.8%	71.4%	68.0%	72.4%	87.2%	94.5%
WTE emissions compared with legal limits	23.7%	25.0%	28.5%	27.5%	29.1%	-
Separate waste collection****	38.4%	33.5%	30.9%	30.4%	29.3%	26.2%
Low environmental impact road vehicles***** (% on aggregate)	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 2.2 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 account for the expansion of the Group, and to update the objectives by developing macro reference scenarios.

The strategy pursued over the past five years was re-confirmed in the **2007-2010 industrial plan**, presented in September 2007, i.e. focusing on achieving the right cost - revenue balance (cross selling and increases in water and environmental rates) based on the specific “full” integration model, completion of new electricity generation plants from renewable and conventional sources, external growth strategies with the objective of further increasing the size of the Group, and strengthening its activities in the deregulated upstream market.

The economic and financial targets to 2010 provide for double figure growth amongst the highest of the industry in Europe, 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.

As regards the increase in water and municipal waste tariffs, negotiations with ATO are currently in progress and determined an increase by over 5% for the current year, while definitive agreements are being discussed with reference to the tariff increases and the 2008-2012 investment plan. The definitive agreements are expected to include also plans for the amortisation of the unexpected management costs incurred in the 2005-2007 regulatory period.

As regards the construction of the plants as provided by the plan, in 2008 two new WTE plants (Ferrara and Forlì) were completed and turned on, and there are currently three plants under construction (WTE in Modena and Rimini, and an 80 Mwh co-generation CCGT plant in Imola).

The expected growth is supported by a 2008-2010 investment plan for approximately Euro 1 billion mainly funded with the cash flows generated by the activities which will benefit from the contribution of the plant increase plan currently being finalised. 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.

The usual update of the business plan has been postponed and is expected by the end of the current financial year, since Hera has conducted negotiations aimed at the expansion of the perimeter of the Group up to the beginning of October.

1.03 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, through the integration of the range of services offered to end users.

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 and by the results of the activities aimed at increasing the efficiency.

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 excellent example of an environmental company in an Italian context characterised by a considerable dearth of infrastructures in this sector, with one of the nation’s most impressive plant structures comprising 73 plants capable of covering the full range of possible treatment and exploitation of waste.

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 approximately 1 million of special waste from by-products of plants. 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.

Plants	Treatment capacity (tons)	Installed power (MW)
Waste to Energy Plant in Forlì*	120,000	11
Waste to Energy Plant in Ravenna	56,500	6
Waste to Energy Plant in Rimini	127,600	10
Waste to Energy Plant in Modena	140,000	7
Waste to Energy Plant in Ferrara*	140,000	13
Waste to Energy Plant in FEA	180,000	22
Ecologia-Ambiente Waste to Energy Plant	40,000	4
Total	**804,100**	**74**

* New plants opened during FY 2008.

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 Marche 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 charges 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, Aspes and SAT.

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 clients (increased by approximately 40,000 units thanks to the customers acquired from Megas Trade and Liguria Gas Service), Hera sells over 2.3 billion cubic meters per year, up by more than 10% YoY.

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 in 2007, 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 a 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.

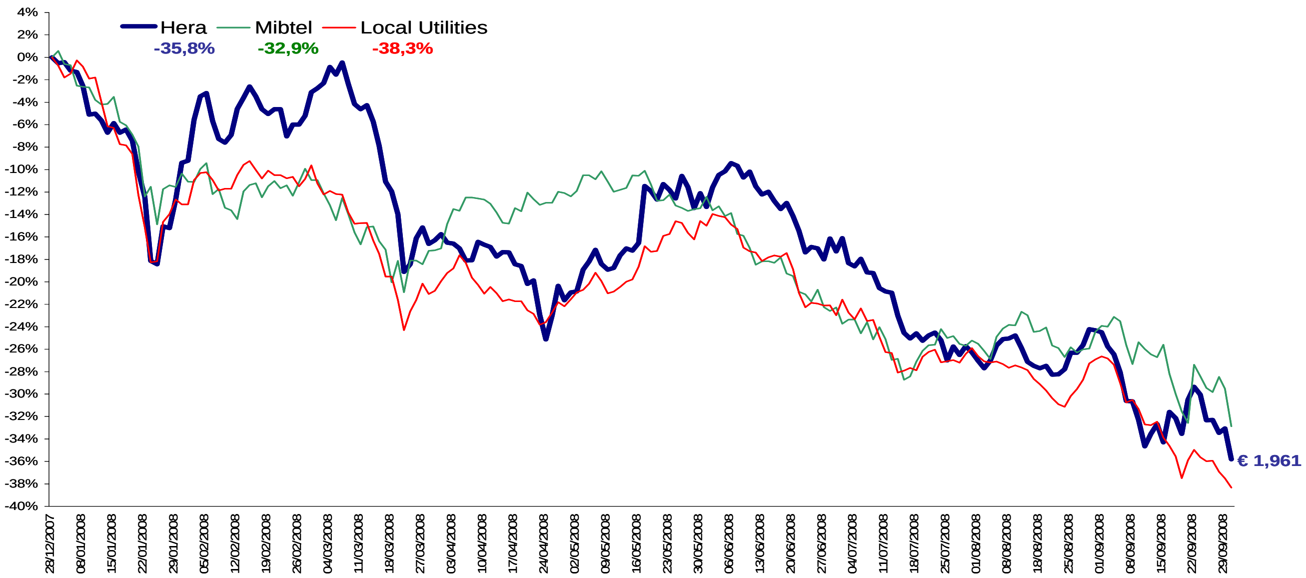
The growth in this business was mainly supported by internal development policies: rationalisation and decrease of non-strategic activities, reduction of costs and more efficient operations.

1.04 Hera on the Stock Exchange

In the first nine months of 2008 all the securities in the utility sector were heavily impacted by the effects of the crisis which hit the financial system and the subsequent collapse in Stock Exchanges worldwide, which now value the securities lower than the "fundamentals" of their respective companies.

Hera shares closed the third quarter of the year with an official price of Euro 1.96 and a decrease of -35.8% from the beginning of the year, slightly better than that registered by the Italian local utilities (-38.3%).

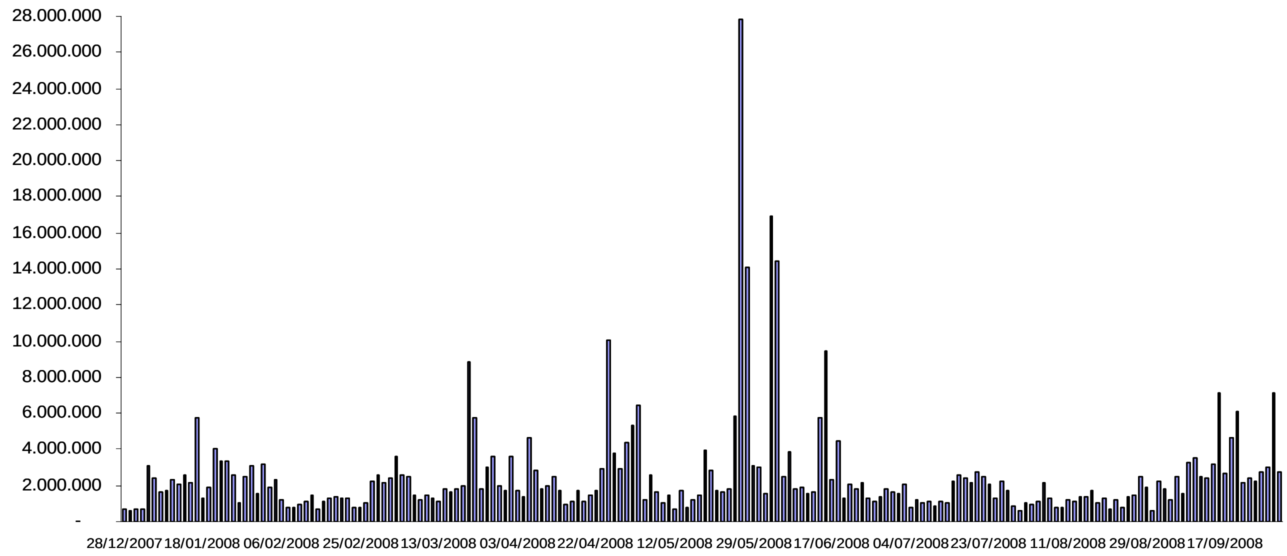
Hera Share Performance in the third quarter 2008



Key: Hera -35.8%; Mibtel -32.9%; Local Utilities -38.3%; € 1.961

Hera share volumes traded in the third quarter of 2008

Media giornaliera degli scambi: 2,6 milioni di azioni



Key: Average daily trades: 2.6 million shares

The average level of liquidity recorded in the trading of Hera shares rose in the first nine months of 2008 for the fourth year running, with an average of 2.6 million shares exchanged daily (for a daily average equivalent of Euro 6.5 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, 16 independent analysts regularly cover Hera Group's shares, and half of these analysts are international, namely: Axia (ethical analysis), Banca Akros, Banca IMI, Banca Leonardo, CAI Cheuvreux, Cazenove, Centrobanca, Citigroup, Dresdner Kleinwort, Euromobiliare, Intermonte Securities, Kepler, Mediobanca, Merril Lynch, and Santander. As from October 2008, Exane Bnp Paribas also started covering Hera shares.

Hera shares were included amongst the "best picks" by some international analysts, i.e. amongst the best investment opportunities, thanks to its low risk profile, the significant difference between market price and theoretical value (estimated at Euro 3.13 per share by the analysts) and “clear” potential for further growth offered by the business plan.

Rating

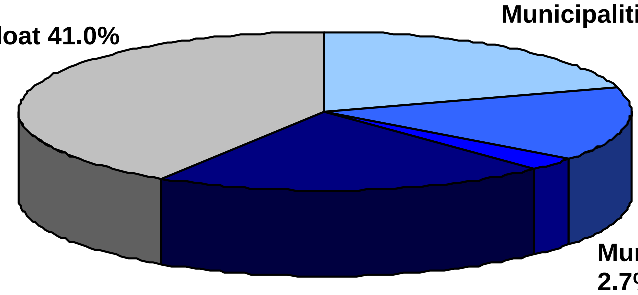
Hera restructured its debts by issuing a fixed rate ten-year Euro 500 million eurobond (4.125%) in 2006, a Euro 100 million put-bond and a Euro 200 million extendable put-bond in 2007, plus other two put loan extendable step up for an aggregate amount of Euro 100 million in 2007. Furthermore, in September 2008 an Euro 200 million put-bond resettable step-up was issued, with the possibility to be increased to Euro 250 million.

The financial strength, the existence of credit facilities for Euro 250 million, able to cover the maturities of the loans in the next five years and the good profitability of the Group guaranteed an excellent rating both by Moody’s (A1), and Standard&Poor’s, which in June 2008 revised the rating from “A with stable outlook” to “A with negative outlook”, (A for long term debt and A-1 for short term debt).

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 Euro 1 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%) and a wide diversification of the shareholders base, which ensures not to incur in any decision blocking situations, are the features which distinguish Hera from the other local utilities companies making it the only company with this type of structure in Italy. The Hera shareholding comprises, in fact, 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, and almost 25,000 private shareholders.



In 2006 Hera started a repurchase programme of its treasury shares for a maximum of 15 million shares, program which was 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.

The Shareholders' Meeting held on 29 April 2008 approved the renewal for a further 18 months of the authorisation for the purchase of treasury shares for a countervalue of up to Euro 60 million.

Hera held around 1,498,678 treasury shares in its portfolio as at 30 September 2008.

Relations with the financial market

Since its listing, Hera's relations with financial market operators have 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 2008, the Board of Directors approved and presented to the international financial community the 2007 annual results, and on this occasion an international road-show was organised in the main financial centres (London, Paris, Geneva, Zurich, Toronto and New York) which saw the management engaged in nearly 80 meetings.

In addition, Hera maintained the contacts with further 90 investors and analysts since the publication of the interim results; following the signing of the letter of intent for the merger project with Iride and Enìa, Hera decided to reduce the number of meetings with analysts and investors in order to honour the confidentiality clause provided for in the arrangements made with the counterparties.

The Hera Investor Relations division maintains close contacts 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 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.

In May 2008, a webcasting with conference call was organised for the presentation to the financial community, immediately after their approval by the Board of Directors, of the 2008 quarterly results, and at the end of August a similar event was organised to present the semi-annual results.

The continuous commitment towards the enhancement of web communications met a positive acceptance by the end users of Hera website, whose number is increasing year after year: the corporate website of Hera is now ranked sixth in the Italian rank of Webranking (prepared by H&H and issued in November 2007), which put Hera ahead of many major companies, after a long path (52nd position in 2004).

1.05 Financial and Economic Results

As already reported in the previous interim reports, the first nine months of 2008 were characterised by a more favourable climatic trend compared with 2007, although average temperature remained above historical trends.

As regards the territorial and business development, 2008 benefits from two extraordinary transactions effective 1 January:

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

- the expansion of the perimeter 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 such transactions will be discussed, when relevant, within this report.

The results at the end of the third quarter of 2008 are characterised by the growth of all the indicators compared with the corresponding period of 2007, as reported in the table below which summarises the main results of the Group:

Income statement (mln/€)	**30-Sep-07**	**% Inc.**	**30-Sep-08**	**% Inc.**	**Abs. Ch.**	**% Ch.**
Revenues	1,956.3		2,556.5		+600.2	+30.7%
Change in invent. of finished products and work in progress	(1.0)	-0.1%	7.0	0.3%	+8.1	-775.1%
Other operating revenues	32.5	1.7%	39.5	1.5%	+7.0	+21.5%
Raw materials and consumables	(1,073.7)	-54.9%	(1,616.8)	-63.2%	+543.1	+50.6%
Service costs	(509.9)	-26.1%	(530.4)	-20.7%	+20.5	+4.0%
Other operating costs	(36.5)	-1.9%	(29.5)	-1.2%	-7.0	-19.3%
Personnel costs	(222.8)	-11.4%	(250.5)	-9.8%	+27.7	+12.4%
Capitalised costs	154.3	7.9%	174.5	6.8%	+20.2	+13.1%
EBITDA	**299.2**	**15.3%**	**350.4**	**13.7%**	**+51.2**	**+17.1%**
Amortisation, Deprec. and Provisions	(145.0)	-7.4%	(170.4)	-6.7%	+25.4	+17.5%
EBIT	**154.1**	**7.9%**	**180.0**	**7.0%**	**+25.9**	**+16.8%**
Financial Operations	(55.7)	-2.8%	(77.4)	-3.0%	+21.7	+39.0%
Other non-operating costs	-	0.0%	(5.6)	-0.2%	+5.6	+0.0%
Profit before tax	**98.5**	**5.0%**	**96.9**	**3.8%**	**-1.6**	**-1.6%**

In the first nine months of 2008, revenues amounted to Euro 2,556.5 million, up by 30.7% compared to Euro 1,956.3 million of the same period of 2007. The EBITDA rose from Euro 299.2 million in 2007 to Euro 350.4 million in 2008, with an increase of 17.1%, while the EBIT reached Euro 180.0 million from Euro 154.1 million, which corresponds to an increase of 16.8%. Profit before tax is down by -1.6%, from Euro 98.5 million in the first nine months of 2007 to Euro 96.9 million in the same period of 2008.

The significant increase in **Revenues**, equal to Euro 600.2 million, +30.7%, is connected with the increase registered in the revenues of the Electricity Area, for over 60%, and with the increase in the Gas area for further 20%. As regards the Electricity, the increase is related to the trading activities, which contribute to the increase with approximately Euro 300 million, while the remainder is connected with revenues deriving from commercial management activities towards final clients. As regards the Gas area, the increase is connected with the higher volumes of gas sold and distributed thanks to the more favourable climate conditions.

The remainder of the increase is connected with the increase in revenues from urban hygiene services and integrated water cycle, with reference to the adjustments of the tariffs achieved, and to the expansion of the consolidation perimeter to the municipalities of Sassuolo and the province of Urbino.

The increase in **Costs of raw materials and consumables**, equal to Euro 543.1 million (+50.6%) is linked to the rise in costs associated with higher volumes of electricity traded as well as to the higher volumes of gas sold and distributed.

Service Costs are up from the Euro 509.9 million registered in the first nine months of 2007 to Euro 530.4 million of the corresponding period of 2008: the increase, equal to Euro 20.5 million (+4.0%), reflects the integration of SAT and Megas.

The decrease in **Other operating costs**, equal to Euro 7.0 million (-19.3%), reflects the different treatment of certain accounting items in the financial year 2008, for the details of which reference should be made to the explanatory notes:

As reported in the previous periods, **Personnel costs** rose from Euro 222.8 million of the first nine months of 2007 to Euro 250.5 million in the same period of 2008 (+12.4%). The increase in costs is mainly due to (i) the expansion 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 percentage impact of **Personnel costs** on total revenues is down to 9.8% in the first nine months of 2008, from 11.4% of the corresponding period of 2007.

The increase in **Capitalised Costs**, which are up from Euro 154.3 million to Euro 174.5 million, reflects higher investments made and, in part, the expansion of the consolidation perimeter.

The consolidated **EBITDA** of the Group as at 30 September is up by 17.1%, rising from Euro 299.2 million in 2007 to Euro 350.4 million in 2008: this result was achieved thanks to the constant focus on the curbing of operating costs, despite the increased volumes, and to the profits derived from the new businesses and services.

The percentage impact of the EBITDA on the Revenues is down from 15.3% in the first nine months of 2007 to 13.7% in the corresponding period of 2008, due to the increase in the electricity trading activities and to the higher volumes of gas sold and distributed.

Amortisation, Depreciation and Provisions are up by 17.5%, from Euro 145.0 million registered in the first nine months of 2007 to Euro 170.4 million in 2008, due to the investments and the higher provisions made. The percentage impact of this item on the revenues is down from 7.4% registered in 2007 to 6.7% in 2008.

In light of the foregoing, the first nine months of 2008 close with a 16.8% increase in the **EBIT** compared with the corresponding period of 2007, rising from Euro 154.1 million to Euro 180.0 million.

Financial Operations show a negative result of Euro 77.4 million, compared with the Euro 55.7 million registered in the corresponding period of the previous year, and include Euro 5.6 million of extraordinary charges paid with reference to the “moratorium on taxes” and to the higher charges paid following the redetermination of the instalments of some mortgage loans of the former Cassa Depositi e Prestiti: for more detailed information, reference should be made to the explanatory notes of the Interim Financial Statements as at 30 June 2008. Despite the increase in interest rates on the financial markets, in the third quarter the cost of funding for the Group remained, thanks to the funding policies adopted, virtually in line with the previous periods. The increase compared with 2007 is connected to the increased indebtedness which reflects higher business volumes and the investments of the Group.

The **Pre-tax result** is also affected by **Other non-operating costs** for Euro 5.6 million, in connection with the “Moratorium on taxes” already mentioned at the end of the first half of 2008.
In light of the foregoing, the **Pre-tax result** is in line with the previous year, down from Euro 98.5 million in 2007 to Euro 96.9 million in the first nine months of 2008.

1.06 Investments

Tangible and intangible investments of the Group in the first nine months of 2008 amount to Euro 292.2 million compared with Euro 292.1 million registered in the corresponding period of 2007.
In 2008 financial investments were also made amounting to Euro 4.3 million. These investments refer to the increase in the potentials of the energy sectors through investments in new plants (e.g. Galsi).

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

Total investments (mln €)	**30-Sep-07**	**30-Sep-08**	**Abs. Ch.**	**% Ch.**
Gas area	18.0	26.2	+8.2	+45.7%
Electricity area	27.7	31.4	+3.7	+13.3%
Integrated water cycle area	94.6	88.1	-6.5	-6.9%
Waste management	103.4	92.0	-11.4	-11.0%
Other services	19.5	21.4	+1.9	+9.8%
Central structure	28.8	33.1	+4.3	+15.0%
Total Operating Investments	**292.1**	**292.2**	**+0.1**	**+0.0%**
Financial Investments	6.6	4.3	-2.3	-34.9%
Total Investments	**298.7**	**296.5**	**-2.2**	**-0.7%**

Investments relating to the gas service in the area in question mainly regard expansion, enhancement 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 the investments in this sector is mainly connected to the start of the extraordinary maintenance program of the general restructuring plan of the gas distribution system.

Gas (mln €)	**30-Sep-07**	**30-Sep-08**	**Abs. Ch.**	**% Ch.**
Land	16.8	25.0	+8.2	+48.9%
Marche Multiservizi	0.4	0.5	+0.1	+22.9%
Medea	0.8	0.7	-0.1	-8.1%
Total Gas	**18.0**	**26.2**	**+8.2**	**+45.7%**

Investments in the Electricity area 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 against the corresponding period of 2007 reflects the measures aimed at ensuring a service able to satisfy growing demand: the increase also reflects, for approximately 30%, the renovation of existing meters, replaced by electronic equipments. The investments in combined cycle electricity and thermal power plants (CCGT) refer to the 80 MW plant in Imola, currently under construction.

Electricity (mln €)	**30-Sep-07**	**30-Sep-08**	**Abs. Ch.**	**% Ch.**
Land	10.2	14.4	+4.2	+41.2%
CCGT	17.6	17.0	-0.6	-3.5%
Total Electricity	**27.7**	**31.4**	**+3.7**	**+13.3%**

The investments related to the water cycle, determined in compliance with the agreements entered into with the reference ATOs with the consequent inclusion in the tariff, mainly refer to expansions, redevelopment and enhancements of networks and plants. This figure includes investment in the area of Sassuolo for approximately Euro 2.6 million.

Integrated Water Cycle (mln €)	**30-Sep-07**	**30-Sep-08**	**Abs. Ch.**	**% Ch.**
Water system	47.4	50.6	+3.2	+6.8%
Purification	19.8	12.6	-7.2	-36.2%
Sewerage	27.4	25.0	-2.4	-8.7%
Total Water Cycle	**94.6**	**88.1**	**-6.5**	**-6.9%**

In the waste management area, interventions carried out on existing plants located throughout the area increased compared to last year, while the number of interventions on new plants is decreasing. It is worth noting that in 2008 the new waste-to-energy plants of Canal Bianco (FE) and Forlì were turned on.

Waste Management (mln €)	**30-Sep-07**	**30-Sep-08**	**Abs. Ch.**	**% Ch.**
Existing plants of parent company	16.4	21.9	+5.5	+33.8%
Existing plants of subsidiaries	14.6	18.4	+3.8	+25.8%
New plants:				
WTE Canal Bianco (FE)	32.4	16.9	-15.5	-47.8%
WTE Modena	10.6	18.8	+8.2	+77.7%
WTE Forlì	23.2	8.9	-14.3	-61.5%
WTE Rimini	6.1	7.1	+1.0	-
Total Waste Management	**103.4**	**92.0**	**-11.4**	**-11.0%**

Investments in the district heating service are mainly related to expansion of the activities in the area of Bologna (Euro 8 million, mainly for the construction of the new Generator in Bologna), Imola (Euro 3.2 million) and Ferrara (Euro 1.5 million). Other investments were for the construction of new cogeneration plants in companies in the area and work on heating plants linked to the heat management service. The item “Other” includes the activities related to the Public Lighting sector as well as other minor services.

Other services (mln €)	**30-Sep-07**	**30-Sep-08**	**Abs. Ch.**	**% Ch.**
District Heating	11.1	14.7	+3.6	+32.0%
Heat Mngm. & Micro.cogen.	3.5	2.7	-0.8	-22.9%
Other	4.9	4.0	-0.9	-17.7%
Total Other Services	**19.5**	**21.4**	**+1.9**	**+9.8%**

Amongst the other most significant investments in the central structure there is the maintenance of the real estate assets of the Group and the investments to renovate the operating vehicles fleet, together with the IT systems, which registered a decrease and, in the last few years, were subject to in depth restructuring activities. The increase in the item Other Investments is connected to investments in the structure of Marche Multiservizi and to the new Remote Control Hub in Forlì.

Central Structure (mln €)	**30-Sep-07**	**30-Sep-08**	**Abs. Ch.**	**% Ch.**
Real Estate investments	8.6	11.6	+3.0	+34.9%
Information systems	10.8	9.1	-1.7	-15.3%
Fleet	6.8	8.8	+2.0	+29.6%
Other investments	2.6	3.6	+1.0	+37.1%
Total Structure	**28.8**	**33.1**	**+4.3**	**+15.0%**

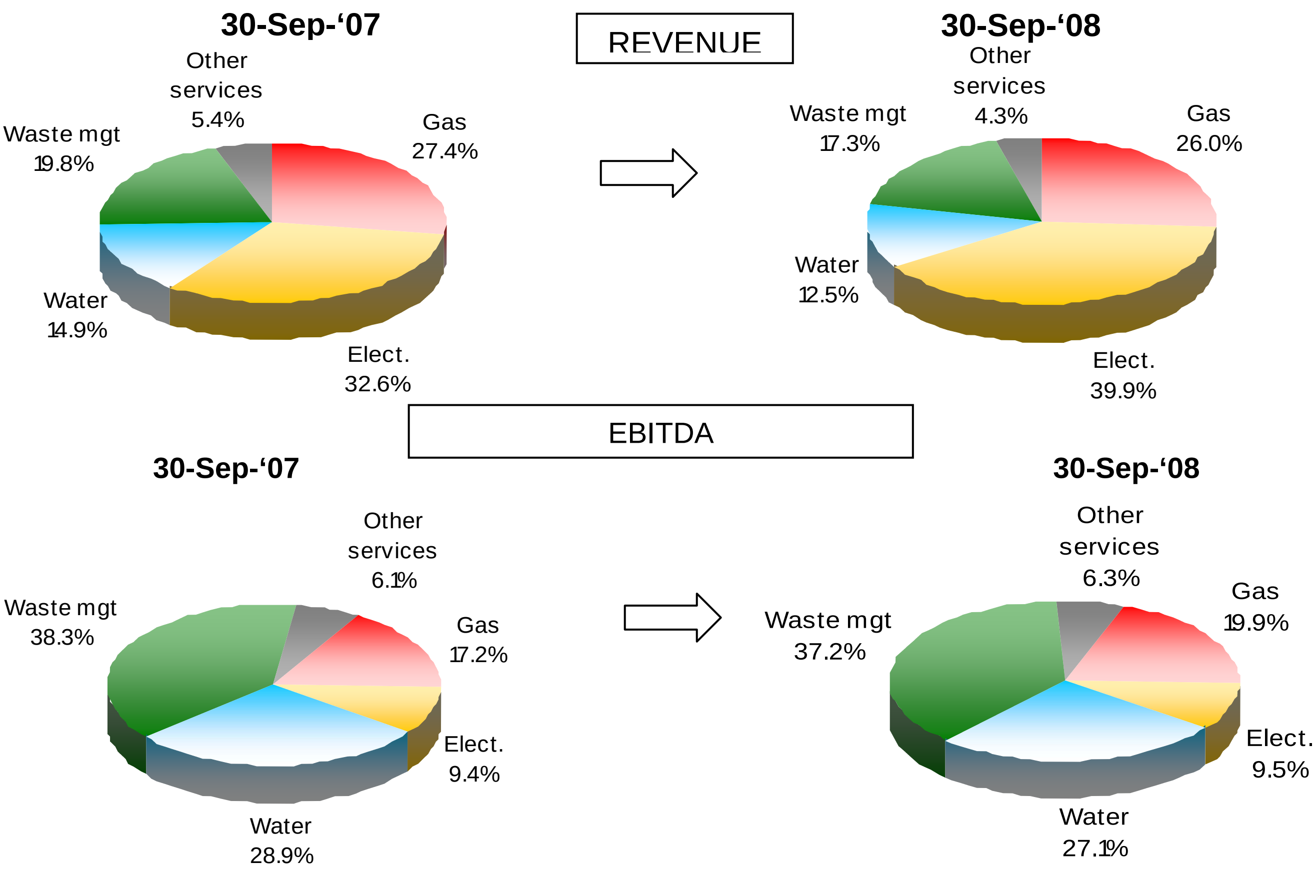
1.07 Analysis by Business Area

An analysis of the 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 concerned with 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 Services (District Heating, Public Lighting, Heat Management and other minor services).

The business segments did not change, in 2008, compared with the previous year. As regards the contribution to the EBITDA for the first nine months, the gas area benefits from the more favourable climate trend compared with the same period of 2007, which trend, through the district heating, also affects the Other Services Area: this, therefore, leads to the subsequent decrease of the contribution of the other areas, except for Electricity, which significantly increases its turnover.

The composition and the evolution in time, in terms of Revenues and EBITDA, is outlined in the graphs below:

BREAKDOWN OF THE BUSINESS PORTFOLIO



In order to provide the necessary details on the performance in the first three quarters of 2008, an analysis is shown of the various business segments in which the Group operates, presented on a comparative basis with 2007.

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 in the form of costs capitalised in the individual tables.

1.07.01 Analysis of the Gas Area

In the first nine months of 2008 the weight of the Gas area, which includes sale and distribution activities, increased, reaching approximately 20% in terms of contribution to the margin.

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

(mln/€)	30-Sep-07	30-Sep-08	Abs. Ch.	% Ch.
EBITDA Area	**51.4**	**69.8**	**+18.4**	**+35.8%**
EBITDA Group	299.2	350.4	+51.2	+17.1%
Percentage weight	*17.2%*	*19.9%*	*+2.7 p.p.*	

Year 2008 benefited from a more favourable climate trend compared with the first nine months of 2007, although not yet in line with the average historical data registered.

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

Quantitative data	30-Sep-07	30-Sep-08	Abs. Ch.	% Ch.
Distributed volumes (millions of m3)	1,317.6	1,550.6	+233.0	+17.7%
Volumes sold (millions of m3)	1,525.1	1,730.9	+205.8	+13.5%
- of which Trading	*226.0*	*246.5*	*+20.5*	*+9.1%*

As regards the climatic trend, the distributed volumes rose from 1,317.6 cubic meters in the first nine months of 2007 to 1,550.6 cubic meters of the corresponding period of 2008, with an increase of 17.7%. On the other hand, sold volumes rose from 1,525.1 million cubic meters in 2007 to 1,730.9 million cubic meters in 2008, with an increase of 13.5%. The business perimeter of Marche Multiservizi contributes to both sale and distribution activities for approximately 96 million cubic meters, with an increase, connected to the changes in the perimeter, of nearly 42 million cubic meters compared with the first nine months of 2007. It is worth noting that SAT Sassuolo has an impact on the results for approximately 74 million cubic meters, only with regard to the distribution activities.

These factors contributed to the financial results summarised below:

Income statement (mln/€)	30-Sep-07	% Inc.	30-Sep-08	% Inc.	Abs. Ch.	% Ch.
Revenues	571.3		706.5		+135.2	+23.7%
Operating costs	(512.7)	-89.7%	(632.5)	-89.5%	+119.8	+23.4%
Personnel costs	(26.3)	-4.6%	(33.7)	-4.8%	+7.4	+27.9%
Capitalised costs	19.1	3.4%	29.5	4.2%	+10.4	+54.2%
EBITDA	**51.4**	**9.0%**	**69.8**	**9.9%**	**+18.4**	**+35.8%**

The revenues from the Gas Area rose by 23.7%, from Euro 571.3 million in 2007 to Euro 706.5 million in 2008, as regards to the higher distributed and sold volumes, which impact the operating costs in the opposite direction.

The higher capitalised costs and the higher personnel costs reflect the territorial expansion of the perimeter of activities and extraordinary interventions on the networks aimed at enhancing their overall security, as outlined in the chapter related to investments.

Compared with the previous year, the Group registered an increase of the EBITDA in this area equal to Euro 18.4 million, from Euro 51.4 million to Euro 69.8 million, with an increase of the percentage profit, which rises form 9.0% in 2007 to 9.9% in 2008.

For a correct interpretation of the third quarter results, it should be taken into account that the previous period experienced a temporary positive effect connected to the valuation of the hedging instruments on the purchase of raw materials, which is expected to be offset in 2008.

1.07.02 Analysis of the Electricity Area

The Electricity Area continues in its growth path, both in terms of turnover as well as in terms of percentage margins. With the further growth of the sale and trading activities, this Area contributes to the aggregate turnover of the Group for nearly 40%, as at the end of the third quarter, and shows an increase in overall margins.

The contribution to the overall margins of the Group in the first nine months of 2008 remained steady compared with the corresponding period of 2007, as evidenced in the table below:

(mln/€)	30-Sep-07	30-Sep-08	Abs. Ch.	% Ch.
EBITDA Area	**28.2**	**33.3**	**+5.1**	**+18.2%**
EBITDA Group	299.2	350.4	+51.2	+17.1%
Percentage weight	*9.4%*	*9.5%*	*+0.1 p.p.*	

An analysis of the electricity segment results is given below:

Income statement (mln/€)	30-Sep-07	% Inc.	30-Sep-08	% Inc.	Abs. Ch.	% Ch.
Revenues	678.5		1,081.9		+403.4	+59.5%
Operating costs	(647.6)	-95.5%	(1,049.4)	-97.0%	+401.8	+62.0%
Personnel costs	(14.8)	-2.2%	(16.4)	-1.5%	+1.6	+11.0%
Capitalised costs	12.1	1.8%	17.3	1.6%	+5.2	+42.7%
EBITDA	**28.2**	**4.2%**	**33.3**	**3.1%**	**+5.1**	**+18.2%**

The higher volumes traded, mainly connected to trading activities, represent the main reason of the increase in revenues, which rose from Euro 678.5 million in the first nine months of 2007 to Euro 1,081.9 million in 2008, up by +59.5%.

The opening in 2007 of the electricity production plants of Teverola and Sparanise, in which the Group holds an equity investment, led to the increase in the commercial capacity, benefiting of an increased supply of raw materials at competitive prices.

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

(millions of euro)	30-Sep-07	% Inc.	30-Sep-08	% Inc.	Abs. Ch.	% Ch.
Sales revenues	302.8	44.6%	410.6	37.9%	+107.8	+35.6%
Distribution revenues	37.8	5.6%	33.8	3.1%	-4.0	-10.5%
Trading / other	337.9	49.8%	637.5	58.9%	+299.6	+88.7%
Total revenues	**678.5**	**100.0%**	**1,081.9**	**100.0%**	**+403.4**	**+59.5%**

The strengthening of the sales activities and the increase of the average energy price on the market, determined an increase of +35.6% in the sales revenues. Distribution revenues, on the other hand, decreased following the application of the new tariffs issued by the AEEG at the end of 2007. The significant increase in trading revenues on the electricity market reflects the development of the business.

The increased volumes reflect the proportional increase in operating costs due to the purchase of raw materials, while the percentage margins drops from 4.2% in 2007 to 3.1% in 2008, reflecting increased trading activities.

The increase in Labour costs compared with the first nine months of 2007 is connected with the development of the sales activities, while the increase in capitalised costs is due to the higher investments made on the networks of the Group.

The quantitative data for the area, which do not include trading activities, demonstrate the trend in the volumes linked to the afore-mentioned management policies:

Quantitative data	30-Sep-07	30-Sep-08	Abs. Ch.	% Ch.
Volumes sold (Gw/h)	3,257.4	3,650.7	+393.3	+12.1%
Volumes distributed (Gw/h)	1,680.7	1,707.5	+26.8	+1.6%

As at 30 September 2008, the EBITDA registered a 18.2% increase compared with the first nine months of 2007, totalling Euro 33.3 million from the 28.2 million of the previous year: this improvement reflects an increase in commercial margins, partially offset by lower margins from distribution-related activities, which were affected by the reduction in the tariffs following the measures adopted by AEEG at the end of 2007.

1.07.03 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-Urbino.

Agreements were set up with all of the aforementioned ATOs, for the purpose of regulating the Integrated Water Service, and, in addition to lengthening the license terms up to 2022 on average, also for the purpose of guaranteeing to the Group the return on its capital investment over the next few years.

In the first nine months of 2008, the Integrated Water Cycle area shows an enhancement in its results compared with the same period of the previous year.

(mln/€)	30-Sep-07	30-Sep-08	Abs. Ch.	% Ch.
EBITDA Area	**86.5**	**94.9**	**+8.4**	**+9.7%**
EBITDA Group	299.2	350.4	+51.2	+17.1%
Percentage weight	28.9%	27.1%	-1.8 p.p.	

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

Income statement (mln/€)	30-Sep-07	% Inc.	30-Sep-08	% Inc.	Abs. Ch.	% Ch.
Revenues	309.7		340.3		+30.6	+9.9%
Operating costs	(252.5)	-81.5%	(264.4)	-77.7%	+11.9	+4.7%
Personnel costs	(68.4)	-22.1%	(77.5)	-22.8%	+9.1	+13.2%
Capitalised costs	97.7	31.6%	96.5	28.4%	-1.2	-1.3%
EBITDA	**86.5**	**27.9%**	**94.9**	**27.9%**	**+8.4**	**+9.7%**

Revenues are up by 9.9% compared with September 2007, showing a trend in line with expectations. The increase in business volumes mainly reflects the expansion to the areas of Sassuolo and Urbino of the business perimeter, as well as the expected increases in tariffs.

The increase in operating costs is equal to Euro 11.9 million, and is mainly connected with the expansion of the perimeter and, on the opposite sign, with the decrease in services on customers behalf and with contingent liabilities of the Marche Multiservizi Group for approximately Euro 3 million.

It is worth noting that, compared with the previous financial year (i) 2007 was positively affected by lower purchases of water from third party companies, due to the significantly drought climatic trend, and (ii) 2008 is impacted by the negative effect of the increase in the average tariffs for the purchase of the electricity used in the plants.

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

Quantitative data	30-Sep-07	30-Sep-08	Abs. Ch.	% Ch.
Volumes sold (millions of m3)				
Water system	190.4	197.0	+6.6	+3.5%
Sewerage (*)	168.2	170.4	+2.2	+1.3%
Purification	168.5	170.7	+2.2	+1.3%

(*) for the sake of uniformity of the comparison with the data as at 30-09-2007, it has been reclassified taking into account, compared woth the report of th eprevious period, 5 mln cubic metres related to the industrial sewerage service

The EBITDA of the area, at the end of the third quarter of 2008, increased by Euro 8.4 million, from Euro 86.5 million in 2007 to Euro 94.9 million in the current year (+9.7%). The performance of the results in financial year 2008 is in line with the previous quarters, although growth slowed down in the third quarter due to the particularly positive results registered in the third quarter of 2007, in light of the comments reported above.

1.07.04 Analysis of the Waste Management Area

The Waste Management Area consolidates the positive results of the previous periods compared with 2007, with a further increase in the third quarter of 2008 also thanks to the contribution of the new plants of Ferrara and Forlì.

The increase in margins, compared with the first nine months of 2007, is confirmed, as evidenced in the table below:

(mln/€)	30-Sep-07	30-Sep-08	Abs. Ch.	% Ch.
EBITDA Area	**114.7**	**130.2**	**+15.5**	**+13.5%**
EBITDA Group	299.2	350.4	+51.2	+17.1%
Percentage weight	38.3%	37.2%	-1.2 p.p.	

The Hera Group continues to be the most important integrated operator in the sector at European level, due to the fact that it has 74 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 Urban Hygiene Services including, sweeping, collection, and disposal of municipal waste, just as for the Water Cycle services. Conventions compliant with the current regulatory provisions are in place with all the agencies.

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

Income statement (mln/€)	30-Sep-07	% Inc.	30-Sep-08	% Inc.	Abs. Ch.	% Ch.
Revenues	411.7		468.0		+56.3	+13.7%
Operating costs	(210.7)	-51.2%	(244.3)	-52.2%	+33.6	+16.0%
Personnel costs	(96.6)	-23.5%	(108.0)	-23.1%	+11.4	+11.8%
Capitalised costs	10.4	2.5%	14.5	3.1%	+4.1	+39.2%
EBITDA	**114.7**	**27.9%**	**130.2**	**27.8%**	**+15.5**	**+13.5%**

At the end of the first nine months of 2008, revenues are up by Euro 56.3 million (+13.7%) compared with the same period of 2007, from Euro 411.7 million to Euro 468.0 million. The increase mainly reflects (i) the corporate/territorial integrations, (ii) the increases in tariffs connected to higher urban hygiene services, (iii) higher volumes treated (iv) the increase in revenues from the electricity produced.

The higher number of urban hygiene services carried out on the territory led to significant results on separate waste collection: net of the volumes arising from sweeping activities (as envisaged by the DPCM project on Separate Collection dated 5 June 1997),the percentage impact on total volumes collected increased by almost seven percentage points, up from 35.9% registered in the first nine months of 2007 to 43.3% in 2008. Such a result represents one of the best performance at a national level.

As regards the waste treated in the plants of the Group, as shown in the table below, aggregate volumes increased by 15.4%:

Quantitative data (thousands of tonnes)	30-Sep-07	% Inc.	30-Sep-08	% Inc.	Abs. Ch.	% Ch.
Municipal waste	1,253.3	37.8%	1,311.8	34.3%	+58.5	+4.7%
Waste from the market	1,039.2	31.4%	1,018.2	26.6%	-21.0	-2.0%
Special waste from by-products of plants	720.1	21.7%	1,077.4	28.2%	+357.3	+49.6%
Direct clients of subsidiaries	301.5	9.1%	418.2	10.9%	+116.7	+38.7%
Waste treated by type	**3,314.1**	**100.0%**	**3,825.5**	**100.0%**	**+511.4**	**+15.4%**
Landfills	1,169.1	35.3%	1,191.1	31.1%	+22.0	+1.9%
Waste to energy plants	445.6	13.4%	443.0	11.6%	-2.6	-0.6%
Selection plants	190.8	5.8%	261.3	6.8%	+70.5	+37.0%
Composting plants	261.0	7.9%	267.9	7.0%	+6.9	+2.6%
Inert. and chemical plants	644.0	19.4%	779.3	20.4%	+135.3	+21.0%
Other	603.6	18.2%	882.9	23.1%	+279.3	+46.3%
Waste treated by plant	**3,314.1**	**100.0%**	**3,825.5**	**100.0%**	**+511.4**	**+15.4%**

The increase in municipal waste is connected to the expansion in the consolidation perimeter, while the significant increase in by-products of the plants reflects the higher rainfall in 2008 which led to a higher production of sewage sludge and leachates. The overall increase of disposed quantities of market wastes, which includes also those related to clients managed directly by the subsidiaries, is connected to the turn on of new plants. The slight decrease in waste treated in the waste-to-energy plants should not be deemed as physiological but it rather reflects the restructuring of the flows due to the opening of new plants.

In light of the foregoing, the EBITDA of the Waste Management Area rose from Euro 114.7 million in the first nine months of 2007 to Euro 130.2 million in the corresponding period of 2008, with an increase of 13.5%.

1.07.05 Analysis of the Other services Area

The Other Services Area includes Public Lighting, District Heating, Heat Management and Micro-cogeneration Services and continues, also at the end of the third quarter of 2008, its growth compared with 2007, despite the disposal of certain no-core services, more than offset by a recovery on the other activities:

(mln/€)	30-Sep-07	30-Sep-08	Abs. Ch.	% Ch.
EBITDA Area	**18.4**	**22.2**	**+3.8**	**+20.7%**
ENITDA Group	299.2	350.4	+51.2	+17.1%
Percentage weight	6.1%	6.3%	+0.2 p.p.	

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

Income statement (mln/€)	30-Sep-07	% Inc.	30-Sep-08	% Inc.	Abs. Ch.	% Ch.
Revenues	112.6		115.6		+3.0	+2.7%
Operating costs	(92.5)	-82.2%	(95.2)	-82.3%	+2.7	+2.9%
Personnel costs	(16.6)	-14.7%	(14.9)	-12.9%	-1.7	-10.1%
Capitalised costs	14.9	13.3%	16.6	14.4%	+1.7	+11.5%
EBITDA	**18.4**	**16.3%**	**22.2**	**19.2%**	**+3.8**	**+20.7%**

Revenues are up compared with the previous year mainly due to the higher turnover of heat management, district heating, public lighting and micro-cogeneration, which off-set the decrease related to some disposals carried out in 2008.

The negative effect of the disposals is offset, also at an EBITDA level, by higher results of the other services mentioned above.

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

Quantitative data	30-Sep-07	30-Sep-08	Abs. Ch.	% Ch.
District Heating				
Distributed heat volumes (Gwht)	235.4	279.2	+43.8	+18.6%
Public lighting				
Light points (thousands)	311.4	326.0	+14.6	+4.7%
Municipalities served	60	63	+3	+5.0%

1.08 Analysis of the net financial situation

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

	(mln/€)	30-Sep-08	% Inc.	31-Dec-07	% Inc.	Abs. Ch.	% Ch.
a	**Cash**	**136.7**		**211.0**			
b	**Other current financial receivables**	**7.6**		**10.0**			
	Current bank indebtedness	-261.7		-149.6			
	Current portion of bank indebtedness	-75.1		-86.1			
	Other current financial payables	-17.3		-7.6			
	Current financial assets/liabilities from derivative instruments	2.2		-0.2			
	Financial leasing payables maturing within the next year			-5.6			
c	**Current financial indebtedness**	**-351.9**		**-249.1**			
d=a+b+c	**Net current financial indebtedness**	**-207.6**	**13.0%**	**-28.1**	**2.0%**	**+179.5**	**-86.5%**
e	**Non-current financial receivables**	**8.2**		**6.6**			
f	**Non current financial assets/liabilities from derivative instruments**	**2.3**		**7.8**			
	Non-current bank indebtedness	-461.1		-475.9			
	Bonds issued	-799.4		-798.2			
	Other non-current financial payables	-122.4		-122.4			
	Financial leasing payables maturing beyond the next year	-12.9		-13.9			
g	**Non-current financial indebtedness**	**-1,395.8**		**-1,410.4**			
h=e+f+g	**Net non-current financial indebtedness**	**-1,385.3**	**87.0%**	**-1,396.0**	**98.0%**	**-10.7**	**+0.8%**
i=d+h	**Net financial indebtedness**	**-1,592.9**	**100.0%**	**-1,424.1**	**100.0%**	**+168.8**	**-10.6%**

The net financial position rose from the Euro 1,424.1 million registered as at 31 December 2007 to Euro 1,597.9 million registered as at 30 September 2008. The increase reflects the significant investment programme realised and the increase in the turnover.

The indebtedness is confirmed as comprised mainly of medium/long term debts which, as at 30 September 2008, represent nearly 90% of the total indebtedness, exactly matching the asset structure of the Group characterised by a high level of fixed assets.

Hera Spa's long term ratings are confirmed as "A1 stable" for Moody's and "A negative" for Standard & Poor.

1.09 Human Resources

The Hera Group had 6,450 employees as at 30 September 2008 (consolidated companies), with the following breakdown by role: Managers (118), Middle managers (307), Employees (2,968), and Workers (3,057). This workforce was the result of the following changes: new recruits (175), leavers (145), changes in scope of consolidation (+306).

	31-Dec-07	30-Sep-08	Ch.
Senior Management	109	118	9
Middle Management	286	307	21
Employees	2700	2968	268
Workers	3019	3057	38
Total	**6,114**	**6,450**	**336**

The actual changes are included in the following table:

	30-Sep-08
Workforce at the end of FY 2007	**6,114**
Ins	175
Outs	-145
Net flows	**30**
Changes in the perimeter *	306
Workforce at the end of the period	**6,450**

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
-90 No Core Services Hera Rimini

2— Consolidated Quarterly Financial Statements

2.01 Income Statement

€/1000	30-Sep-2008 9 months	30-Sep-2007 9 months
Revenues	2,556,516	1,956,251
Change in inventories of finished products		
and work in progress	7,032	-1,042
Other operating revenues	39,536	32,529
Use of raw materials and consumables		
(net of change in stock of raw materials and stocks)	-1,616,782	-1,073,692
Service costs	-530,417	-509,900
Personnel costs	-250,542	-222,773
Amortisation, depreciation and provisions	-170,381	-145,028
Other operating costs	-29,482	-36,516
Capitalised costs	174,498	154,315
EBIT	179,978	154,144
Investee share of profit (loss)	1,080	1,412
Financial Income	13,022	15,661
Financial Charges	-91,546	-72,728
Total financial operations	-77,444	-55,655
Other non-operating costs	-5,611	0
Profit before tax	96,923	98,489

2.02 Explanatory Notes

Accounting principles and valuation criteria

The consolidated quarterly report of the Hera Group as at 30 September 2008 was drawn up in compliance with the provisions of art. 82 of the "Regulations containing the provisions for implementation of Legislative Decree no. 58 of 24 February 1998, on the matter of issuers" (Consob Resolution no. 11971 of 14 May 1999 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 preparation of the quarterly accounts requires estimates and assumptions to be made that have an impact on the value of revenues, costs, assets and liabilities and on disclosures concerning contingent assets and liabilities at the reporting date. If, in the future, these estimates and assumptions, based on the management's best valuation, should differ from the actual circumstances, they will be amended accordingly to represent the actual situation.

Please also note that these valuation procedures, especially those relating to the more complex valuations, such as the determination of any impairment losses on non-current assets, are generally only made definitively at the time the annual report is prepared, except when there are indications of impairment requiring an immediate valuation of any losses in value.

These consolidated quarterly accounts do not include any tax calculation.

In comparing the individual items of the income statement, it is necessary to take into account the changes in the consolidation perimeter as outlined under the specific paragraph, and the extraordinary transactions which led to the integration of Sat Spa into Hera Spa and of Megas SpA into Marche Multiservizi Spa, both effective as from 1 January 2008.

These consolidated quarterly accounts as at 30 September 2008 are subject to the approval of the Board of Directors to be held on 14 November 2008.

Consolidated Financial Statements

The formats used are the same of those applied to the consolidated financial statements as at 31 December. Specifically, a decremental format has been used for the income statement, with individual items analysed by type. We believe that this type of disclosure, which is also used by our major competitors, to be in line with international practice and the best representation of company results. It should be noted that, for the purposes of a more immediate and precise information, the item "other operating costs", related to taxes for previous financial years, has been included, as more fully outlined in the semi-annual financial report as at 30 June 2008.

The data of this quarterly report are comparable with those of the previous periods. It should be noted that the quarterly situation as at 30 September 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 nine months of 2007 was reclassified, with respect to the version previously published; specifically "Other portions of profits/losses" and "Dividends from other companies" and the "write-downs" were reclassified from the item "portions of profits/losses from associated companies" to the respective "Financial income" and "Financial charges" items, in accordance with the table below:

	30/09/2007 published	reclassified	30/09/2007 reclassified
Portions of profits (losses)	**3,129**	**-1,717**	**1,412**
Income	**13,734**	**1,927**	**15,661**
Charges	**-72,518**	**-210**	**-72,728**
	-55,655	**0**	**-55,655**

Here it should be noted that "revenues" for the first nine months of 2007 include Euro 7,806 thousand for excise duties and additional payments to regional tax authorities. This was recorded by a Group company as a contra entry to an item of miscellaneous taxes classified among "other operating costs". This entry was restated in the income statement for the first nine months of 2008.

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.

All the consolidated income statement schedules are expressed in thousands of Euro, unless otherwise indicated.

Scope of consolidation

This consolidated quarterly report includes the financial statement of the Parent Company, Hera SpA, and its subsidiaries. Control is obtained when the Parent Company has the power to determine the financial and operational policies of a company, in such a way as to obtain benefits from the company's activity.

Small-scale subsidiaries and those in which the exercise of voting rights is subject to substantial and long-term restrictions are excluded from the full consolidation and valued at cost. Interests comprising fixed assets in large-scale associated companies are valued at equity.

Companies held exclusively for future sale were excluded from consolidation and valued at cost or fair value, whichever is the lesser. These investments are recorded as separate items.

No companies have been included in the consolidation using the proportional method.

Changes to the scope of consolidation in the first nine months of 2008 compared with the consolidated financial statements at 31 December 2007 are shown below.

Subsidiaries

Companies included in the consolidation perimeter in 2008	Companies excluded from the consolidation perimeter in 2008	Notes
	Ares Spa Consortile	On 26 June 2008, the Company **Ares SpA Consortile** approved the final financial statement of liquidation and definitively ceased trading.
Hera Comm Marche Srl		Effective 1 January 2008, Marche Multiservizi acquired 70% of **Megastrade Srl** which entered into the consolidation perimeter of Hera Group following the incorporation of Megas SpA into Marche Multiservizi SpA. On 28 July 2008, Hera Comm acquired 100% of the share capital of Megastrade Srl, from Marche Multiservizi Spa (70%) and from Megas Net Spa (30%). Upon the acquisition, the acquired company has been renamed into Hera Comm Marche Srl.

Associated companies

Companies included in the consolidation perimeter in 2008	Companies excluded from the consolidation perimeter in 2008	Notes
Feronia Srl		As a consequence of the merger by incorporation of Sat Spa, as from 1 January 2008 the company **Feronia Srl** enters into the consolidation perimeter of Hera Group (Equity at 40%).
Prigeas Srl		As a consequence of the merger by incorporation of Sat Spa, as from 1 January 2008 the company **Prigeas Srl** enters into the consolidation perimeter of Hera Group (Equity at 49%).
Satcom Spa		As a consequence of the merger by incorporation of Sat Spa, as from 1 January 2008 the company **Satcom Spa** (Equity at 47.50%) enters into the consolidation perimeter of Hera Group .
So.Sel Spa		As a consequence of the merger by incorporation of Sat Spa, as from 1 January 2008 the company **So.Sel Spa** (Equity at 26%) enters into the consolidation perimeter of Hera Group .
	Sat Spa	Effective 1 January 2008 the company **Sat Spa**, consolidated at equity until the 2007 financial year, is merged by acquisition into Hera Spa.

A list of the companies included in the scope of consolidation is provided under paragraph 2.04.

Accounting principles currently being adopted

On 30 November 2006, IASB issued the accounting principle IFRS 8 – Operating Sectors, which is to be applied, as from 1 January 2009, in lieu of IAS 14 – Segment Reporting. The new accounting principle, already adopted in Europe and published in the Official Gazette of the European Community, requires more articulated information concerning the data by business sector, and the identification criteria for the operating sectors. This principle does not affect the valuation of the balances of the financial statements, but only the information to be disclosed in the notes accompanying the financial statements. The Group did not elect to avail itself of the early application, allowed under the regulations, of such principle.

It should further be noted that the competent bodies of the European Union are currently implementing the following updates of the IFRS principles (already approved by IASB), and the following interpretations, some of which might impact the consolidated balances. The principles being updated, listed below, particularly with reference to those which might impact the Group, are:
IAS 23 – Financial Charges. Under the new version of the principle it will no longer be possible to recognise directly in the income statement any financial charges incurred against investments.
IAS 1 – Presentation of the financial statements, which requires the drawing up of a specific schedule with the changes in net equity for the disclosure of the transactions entered into with the shareholders and, with reference to any transactions entered into with third parties ("comprehensive income") requires the drawing up of a single schedule or, as an alternative, two separate schedules (income statement and schedule of comprehensive income).
IFRS – Business combinations, and IAS 27 – Consolidated Financial Statements, specifically related, as regards IFRS 3, to the possibility to register goodwill with reference to minority holdings and to the procedures for the registration of assets and liabilities in the event of an acquisition of subsidiaries in more than one step. The changes also refer to the recognition into the income statement of all costs connected to the business combination. The amendment of IAS 27, requires that any changes in the interests which do not represent a loss of control, must be treated as equity transactions and must therefore be registered only against net equity, thus cancelling the option for the registration in the income statement. Furthermore, it is provided that when the parent company transfers the control of one of its subsidiaries but maintains an interest in such company, the portion of interest still being held must be recognised at fair value in the financial statements, recognising into the income statement any profits or losses resulting from the loss of control.
IAS 32 – Financial instruments: Presentation and IAS 1- Presentation of the Financial Statements – Puttable financial instruments and bonds resulting upon settlement. Specifically, this principle requires the companies to classify as equity instruments any “puttable” financial instruments and any financial instruments which impose on the company an obligation to deliver to a third party a portion of the equity interests held in the assets of the company.

The changes in the principle IFRS 2 – Accrual and cancellation conditions, are not expected to have any impact on the data of the Group reported as at 30 June 2008.

On 22 May 2008, IASB issued a set of updates to the IFRS (”improvements”), related, specifically, to:

IFRS 5 – Non-current assets held for sale and discontinued operations: this update requires that when a company is engaged in a transfer arrangement which implies the loss of control on one of its subsidiaries, all the assets and liabilities of the subsidiary must be reclassified amongst assets held for sale, even in the event that, after the transfer, the company continues to hold a minority interest
in the subsidiary.

IAS 1 – Presentation of the financial statements: this update requires that the assets and liabilities resulting from derivative financial instruments which are not held for trading should be classified in the financial statements, separating current and non-current assets and liabilities.

IAS 20 – Accounting and reporting of public grants: this update requires that any benefits deriving from any loans from the government granted at an interest rate far below market rates must be treated as public grants and recognised in accordance with IAS 20.

IAS 23 – Financial Charges: this update reviewed the definition of financial charges.

IAS 28 - Equity investments in associated companies: This update requires that, in the event of equity investments valued at equity, any loss of value must not be assigned to any individual assets (and, specifically, not to the goodwill) which comprise the book value of the equity investment, but to the value of the subsidiary as a whole; this implies the possibility to recognise, in the future, a full write back, should the conditions apply.

IAS 36 – Impairments: This update requires that, should a company determine the recoverable value of the cash generating units using the discounted cash flow method, additional information must be provided.

IAS 38 – Intangible Assets: this update relates, *inter alia*, to the possible recognition in the income statement of any promotional and publicity costs and to the depreciation criteria of intangible assets with a defined useful life.

IAS 39 – Financial instruments: recognition and valuation: this update clarifies how the new effective rate of return should be calculated for a financial instrument at the end of a hedging transaction of the fair value; it further clarifies that the prohibition to reclassify under financial instruments with the adjustment of the fair value registered in the income statement should not be applied to derivative financial instruments which can no longer be qualified as “hedging” or, on the other hand, which become hedging instruments. Finally, in order to avoid any conflicts with the new IFRS 8 – Operating sectors, it eliminates any references to the designation of an hedging instrument of the sector.

It is believed that the updates proposed for IAS 16, IAS 19, IAS 29, IAS 40 shall not have any impact on the valuation of the items in the financial statements, while those related to IAS 28, IAS 31, IFRS 7 and IAS 32 might affect only the reporting.

With reference to the new interpretation documents, listed below, at the moment we believe that only IFRIC 13 and IFRIC 12 might affect the operations of the Group.

IFRIC 12 – Service Concessions Arrangements

IFRIC 13 – Customer loyalty programmes

IFRIC 14 – IAS 19 The limit on defined benefit assets and minimum funding requirements

IFRIC 15 – Agreements on the construction of real estate

IFRIC 16 (issued on 3 July 2008) – Hedges of a net investment in a foreign operation

2.03 Net financial indebtedness

	(euro/million)	30-Sep-2008	31-Dec-2007
a	**Cash**	**136.7**	**211.0**
b	**Other current financial receivables**	**7.6**	**10.0**
	Current bank indebtedness	-261.7	-149.6
	Current portion of bank indebtedness	-75.1	-86.1
	Othe current financial payables	-17.3	-7.6
	Current financial assets/liabilities from derivative instruments	2.2	-0.2
	Financial leasing payables maturing within the next year	-5.0	-5.6
c	**Current financial indebtedness**	**-356.9**	**-249.1**
d=a+b+c	**Net current financial indebtedness**	**-212.6**	**-28.1**
e	**Non-current financial receivables**	**8.2**	**6.6**
f	**Non-current financial assets/liabilities from derivative instruments**	**2.3**	**7.8**
	Non-current bank indebtedness	-461.1	-475.9
	Bonds issued	-799.4	-798.2
	Other non-current financial payables	-122.4	-122.4
	Financial leasing payables maturing beyond the next year	-12.9	-13.9
g	**Non-current financial indebtedness**	**-1,395.8**	**-1,410.4**
h=e+f+g	**Net non-current financial indebtedness**	**-1,385.3**	**-1,396.0**
i=d+h	**Net financial indebtedness**	**-1,597.9**	**-1,424.1**

2.04 List of consolidated companies

Subsidiaries

Name	Registered office	Share capital	% of ownership		Total	Aggregate interest
			Direct	Indirect		
Parent Company Hera Spa	**Bologna**	**1,032,737,702**				
Acque Srl	Pesaro	102,700		100.00%	41.87%	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%
Asa Spa	Castelmaggiore (Bo)	1,820,000	51.00%		51.00%	51.00%
Aspes Gas Srl	Pesaro	1,000,000		100.00%	41.87%	41.87%
Ecologia Ambiente Srl	Ravenna	23,780,000	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 Srl	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)	53,136,987	100.00%		100.00%	100.00%
Hera Comm Marche Srl	Urbino (Pu)	100,000		1	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 Socrem Spa	Bologna	2,218,368	51.00%		51.00%	51.00%
Hera Trading Srl	Imola (Bo)	2,600,000	100.00%		100.00%	100.00%
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%
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%
Società Intercomunale di Servizi Spa	Montecalvo in Foglia (Pu)	103,300		41.75%	41.75%	17.48%
Sotris Spa	Ravenna	2,340,000	70.00%		70.00%	70.00%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%	97.00%

- *On 28 March 2008, the company* ***Hera Gas Tre SpA*** *changed its company name to* ***Hera Energie Rinnovabili SpA***
- *Effective from 1 January 2008, Megas SpA was merged into* ***Aspes Multiservizi SpA****, which changed its name to* ***Marche Multiservizi SpA***

Associated companies

Name	Registered office	Share capital	% of ownership		Total	Aggregate interest
			Direct	Indirect		
Acantho Spa	Imola (Bo)	17,375,781	47.45%		47.45%	47.45%
Adriatica Acque Srl	Rimini	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 (Mo)	2,430,000	40.00%		40.00%	40.00%
FlamEnergy Trading Gmbh	Vienna (Austria)	3,000,000		50.00%	50.00%	50.00%
Modena Network Spa	Modena	3,000,000	32.00%		32.00%	32.00%
Oikoten Scrl	Siracusa	1,101,730	46.10%		46.10%	46.10%
Pri.Ge.A.S	Sassuolo (Mo)	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	240,240	26.00%		26.00%	26.00%

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