

Year 2, Issue 4

The information contained in this newsletter is as of 14 November 2007

CONTENTS

PAGE 1

Message from the Chairman of the Board

PAGE 2

Focus on Q407 results

Sat Merger

GALSI Project

Webranking—Hera ranking 6

PAGE 3

Interview to Mr. Jens K. Hansen

PAGE 4

Hera and the Stock Exchange

Financial calendar

Shareholders

Share price

Q407 Report will be available on the website as soon as results are released at:

www.gruppohera.it

**Investor Relations /
Reports and Results**

The Q407 Results Presentation is available on Hera's corporate website at:

www.gruppohera.it

**Investor Relations /
Presentations**

HERA SPA

Head offices: Viale C. Berti
Pichat, 2/4

40127 BOLOGNA

T.+39 051 28.71.12

F.+39 051 28.14. 030

www.gruppohera.it



HeraNews

Investors' Newsletter

2007 9-month results released: message from the Chairman of the Board

Dear Shareholders,

2007 nine-month results approved by the Board today are completely in line with our expectations. Revenues present a 21.3% rise if compared to the first nine months of 2006 - a clear acceleration even vis-à-vis the improvement achieved at interim results (+14% vs. the first six months of 2006). EBITDA, too, improves by 3.3% if compared to the first nine months of 2006; the EBITDA improvement achieved at the end of the first half was just 0.4%, compared to the same period of 2006.

Unfavourable weather conditions we experienced in the first part of this year led to a negative impact of 27 mn euro at EBITDA level in the P&L as of 30 September 2007. Anyhow they have been completely offset by positive drivers, such as synergies, organic growth and M&A.

Cross selling, through a dual-fuel offer, has brought rewarding results - as proven by 3.3 TWh sold in the first nine months of 2007, compared to sales of 3,1 TWh achieved in FY06. The sale of electricity to pre-existing gas clients does work - hence we can state that cross selling is a key factor in order to push sales and profitability.

Efficiency projects underway have already shown visible results - biogas exploited in waste treatment plants and the roll-out of electronic meters in electricity set clear examples. Further efficiencies will be achieved in the short term -by December 2007 will be fully operating the Remote Control Centre for dispatching gas and water, one of the largest in Europe.

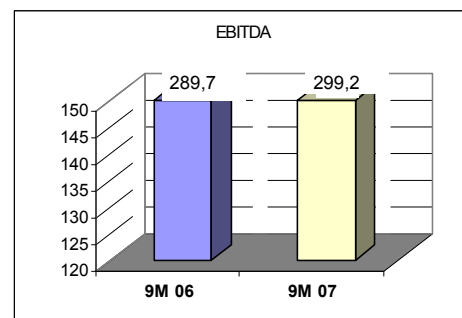
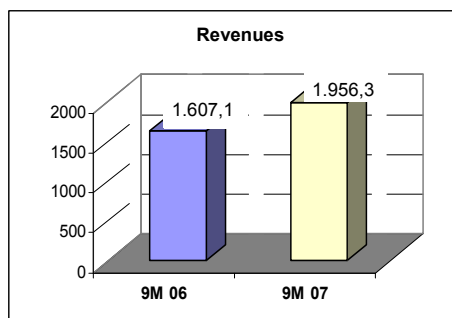
As far as investments are concerned, over the



last three months we started the operations, perfectly on track, of the WTE in Ferrara and the building of the site in Imola for an 80 MW CCGT; by the end of the year we expect to start the Forlì WTE plant.

After the meeting of the main public shareholders of Hera, which took place on October 15th, the growth strategy through the merge with a peer has been confirmed. The identification of the target implies great care, since the two available options imply two different strategic choices. Hera public shareholders are presently taking a reasonable lapse of time to weigh up these different opportunities. In the meantime we continue to manage our business as usual with great commitment. In the last months of 2007 we should have new tariffs approved in Water and Waste, since our negotiations with ATOs are at a good point. Autumn looks to be normal in terms of temperatures. Since our plans are very conservative in terms of gas consumptions assumed, we feel we can go on along the growth path we indicated.

Tommaso Tommasi di Vignano



9M 2007

(mn €)

REVENUES 1,987.8 (+21.3%)

EBITDA 299.2 (+3.3%)

EBIT 154.1 (-1.3%)

PRE-TAX PROFIT 98.5 (-16.5%)

SAT MERGER

Hera continues to expand its presence in the reference territory. Hera's Shareholders have approved a merger by incorporation of Sat Sassuolo. The Shareholders have also approved a share capital increase from EUR 1,016,752,029.00 to EUR 1,031,292,363.00, through the issuance of 14,540,334 ordinary shares with a nominal value of EUR 1.00 each. In addition, the Shareholders approved another share capital increase that includes 1,445,339 ordinary shares for a total value of EUR 1,445,339, reserved for Comune di Castiglione dei Pepoli, Comune di Grizzana Morandi, Comune di Monzuno, Comune di San Benedetto Val di Sambro and Comune di Sasso Marconi.

GALSI PROJECT

Snam Rete Gas has signed a Memorandum of Understanding with Galsi S.p.A., the joint venture held by Sonatrach (38%), Edison S.p.A. (16%), Enel S.p.A. (13.5%), Wintershall (9%), HERA S.p.A. (10%), and Regione Sardegna (10%), for the construction of the Italian section of the new import pipeline from Algeria to Italy, through Sardinia. That makes the project much more visible. Under the terms of the contract Galsi S.p.A. will be responsible for the engineering work and for obtaining the relevant permits and main authorisations while Snam Rete Gas S.p.A. will be responsible for the construction of 2/3 of the whole pipeline network and subsequent management of the transportation activities.

A CLOSER LOOK AT OUR PERFORMANCE IN 9M 2007

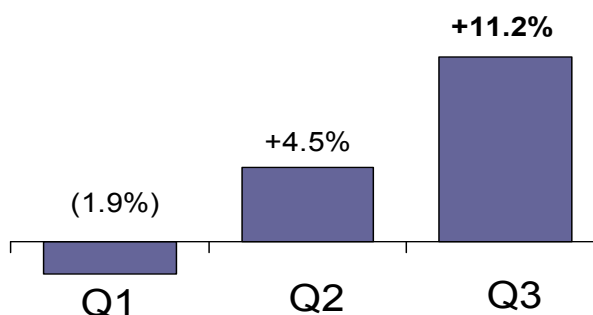
Consolidated revenues show a 21.3% growth.

Mild temperatures during the first half of 2007 led to a 27 mn euro impact at EBITDA level, which has been quite completely absorbed by the benefits stemming from synergies and from organic growth.

The 3.3% EBITDA growth proves that strategic choices were right—pushing the developments in Water and Waste businesses, targeting synergies from integrated companies and providing gas clients with an electricity offer, marketing a 'dual fuel' service.

Depreciation & Amortization absorbed 145 mn Euro—this prevented EBIT from showing a turnaround, as EBITDA could do. Its reduction, if compared with the first nine months of 2006, is anyhow limited to a 1.3% (it was -6.9% at half-year07 vs. the same period in 2006).

Net financial charges increase from 38.1 mn Euro as of 30 September 2006 to 55.7 mn Euro as of 30 September 2007—pre-tax profit is therefore equal to 98.5 mn Euro; 16.5% less than in the first nine months of 2006.

2007 Ebitda Growth rates by quarters

Quarterly Ebitda results constantly increased during 2007 reaching a double digit growth rate in Q3 which reflects the return to normalised operating conditions without the negative effects of the past extraordinary mild winter season.

SIXTH POSITION FOR HERA IN THE TOP 10 WEBRANKING

The sixth annual edition of Webranking Italy Top80, conducted by H&H (Hallvarsson & Hallvarsson) in partnership with Corriere della Sera, awarded top honours to best Italian websites for corporate online communications.

TOP TEN DEL WEBRANKING 2007

Rank	Company	Url	Score
1	Telecom Italia	www.telecomitalia.com	89
2	UniCredit	www.unicreditgroup.eu	87.75
3	Edison	www.edison.it	85.5
4	ENI	www.eni.it	83.5
5	Pirelli & C	www.pirelli.com	80.5
6	Hera	www.gruppohera.it	74.5
7	Snam Rete Gas	www.snamretegas.it	74.25
8	Autogrill	www.autogrill.com	74
9	Parmalat	www.parmalat.com	70.75
10	Seat Pagine Gialle	www.seat.it	66.25

In this issue we interview Jens K. Hansen, head of Investor Relations at Hera

Mr. Hansen, Hera has further improved its positioning in the Top10 Italian Webranking. How could you achieve even a higher score than in 2006?

Getting to rank from eighth to sixth implied a substantial effort. We achieved a score of 74.5, compared to the one of 62 achieved in 2006. When you get to high quality standards, further improvements are very demanding. At Hera we never stop looking for ever better results; we never feel we are at the top of what we can do. In 2007, for instance, we have made the annual report available both in Italian and in English, even in the html version, as soon as it has been approved by the Board. An effort that involves, besides Investor Relations, many areas inside the Company that we proactively involved. And we got their commitment.

What are the strengths in your website that let you get such a high ranking position?

We structured contents according to a customization principle - I mean we followed a diversified approach by stakeholder. This newsletter proves that we take care of retail investors, so we provide them with appropriate tools through specific languages. We also communicate the same contents through different tools and channels, in order to increase their effectiveness. We target a continuous rise in contacts we can achieve through the website. All our communication tools, ranging from press releases to annual reports, lead traffic to the corporate website; we hope that updated and appealing contents will make the user come back. Our website is an ideal place for two-way communications - thanks to interactivity, we can have an open dialogue with our stakeholder.

Did you expect such a high positioning in the Webranking?

We hoped that. For sure we are very proud of being among large and mega caps, companies considered best practices not only in Italy but in the European area, which can count on huge budgets in online communications... On November 26th, at the Italian Webranking Awards Event, we will enjoy a great visibility.

But online communications may not be the only area in which you should receive awards...

That's true, we are in the short list, with other two companies, to receive the 'Oscar di Bilancio', the award for the best Italian annual report.

What does that presence in the 'short list' mean?

The 'nomination' itself is an achievement. The 'Oscar di Bilancio' over the last 50 years has always granted its awards to companies providing a transparent and effective reporting.

What is the goal of this award?

Institutions backing it, from FERPI to AIAF, consider it is, rather than an award, a permanent laboratory, mirroring the changing expectations of the financial community - thus stimulating companies to meet them. We target excellence standards in our reporting - this is why we aim to present key-metrics which can lead to a proper valuation of corporate performance.

Can you identify a 'fil rouge' linking all these rewarding achievements in your Investor Relations?

I believe we made a basic choice which made a dramatic difference - we rationalised and fostered any communication activity and tools within a sole framework of strategic communications.

Can you provide us with some colour about the EXPO Trading On-line Day you attended on October 25th...

Well, we participated to the event that Borsa Italiana organized for retail investors at Palazzo Mezzanotte, in order to prove how much we look after this stakeholder, so strategic in our Investor Relations. The audience was very interested, not only in our communications practices, but also in better understanding Hera's strategy and financial performance.

What were your conclusions afterwards?

We are one of the few companies in Italy addressing retail investors with a specific communication - nevertheless we feel that our dialogue with the private segment could be widely improved. We are sure that would be rewarding for them, but for us, too. But these are further Investor Relations initiatives we will target in 2008...

So, good luck!

...In 2007, for instance, we have made the annual report available both in Italian and in English, even in the html version, as soon as it has been approved by the Board...



...ranking sixth in the Italian Webranking, we are very proud of being among large and mega caps...



.....We are one of the few companies in Italy addressing retail investors with a specific communication - nevertheless we feel that our dialogue with the private segment could be widely improved....

CONTACTS

Investor Relations Department
 Head: Jens K.Hansen
 T.+39 051 287737
jens.hansen@gruppohera.it

**2008
 FINANCIAL CALENDAR**

Late March
 Board Meeting to approve 2007
 annual results

HERA SHARE

Price as at 14 November 2007:
 2.975 €
 365 dd High-Low: 3.48-2.40 €
 Outstanding shares 1.016.752.029
 Mkt Cap: 3.3 bn €

Specialist: Banca IMI

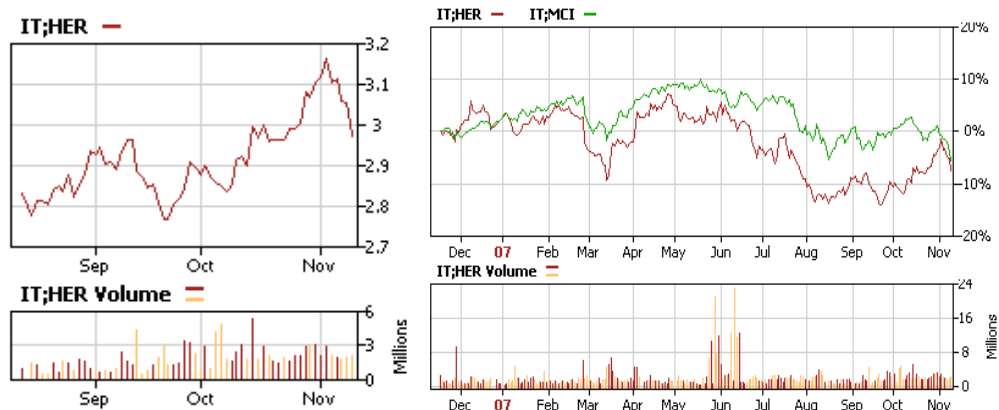
Price target consensus (source
 Reuters): 3.5€

**Hera stock exchange
 indices**

Midex—Borsa Italiana
 DowJones Stoxx TMI
 TMI Utility
 Axia Ethical
 Kempen/SNS Smaller Europe SRI
 Index

We await your comments on our
 newsletter. Please send them to:

ir@gruppohera.it

Hera share 3m performance and 1y vs. MIBTEL


The chart on the right, which shows the price line for the Hera share (red line) vs. the Mibtel Index (green line), proves that Hera performed in line with the market Index over the last year, filling the gap in October when the stock price bounced back over 3.1 €.

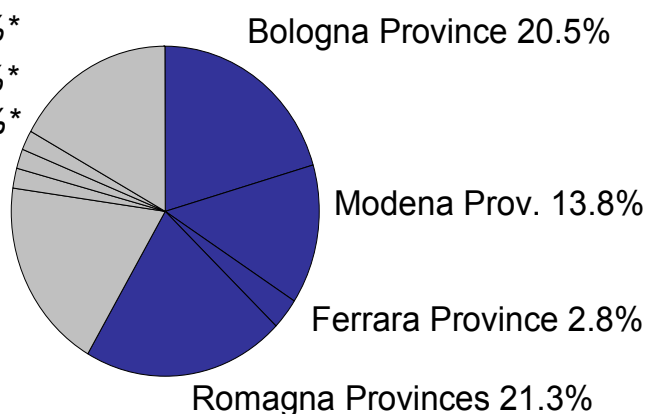
Consensus target price remains at 3.5€. In the meantime the Spanish broker Santander issued its Initiation of Coverage.

Shareholders**Free float 41.6%**

Lazard >2.0%*

Pictet >2.0%*

Amber C. ~ 1.9%*



* included within "free float"

The picture of main Hera's shareholders presents the entry of a new institutional investor based in the US, Lazard Asset Management LLC, who filed on 26 September its holdings of 2.008% in Hera's share capital: just below Pictet Asset Management SA, holding a 2.024% stake since 18th January, 2007. Schroders Investment Management has on the contrary filed a reduction in its holdings below 2%: the UK investor filed a 2.001% stake over one year ago.