

The information contained in this Newsletter is as of 11 November 2010

CONTENTS

PAGE 1

Message from the Chairman of the Board

PAGE 2

Focus on 2010 nine-month results

PAGE 3

The new convertible bond issue
Hera again second in the web-ranking



PAGE 4

Hera and the Stock Exchange
Financial Calendar
Shareholding and Analyst Coverage



The nine-month results Press Release and the Nine-month Report as at **30 September 2010** are both available on our website at:

www.gruppohera.it

/Investor Relations

/Reports and Results

/Press Releases

HERA SPA

Headquarters: Viale C. Berti
Pichat, 2/4
40127 BOLOGNA
T.+39 051 28.71.11
F.+39 051 28.75.25
www.gruppohera.it

HeraNews

Investors' Newsletter



Nine-month results presented: message from the Chairman of the Board

Dear Shareholders,
2010 nine-month results once more confirm the well-balanced structure of our business portfolio as well as the visibility and profitability of Hera's growth potential: these were the points that recently represented the core of an extensive *roadshow* while visiting International institutional investors; we can state that we received a positive feedback on such messages, as shown by recent weeks' stock price trend.



"We hope to submit to the AGM the proposal of a €9cts dividend for FY2010".

Even in the third quarter of 2010, revenue dynamics remain affected by the fall in energy commodities price; nonetheless, in the nine months ending September, we have been able to achieve a sizeable EBITDA growth (+10.6%) and an even more impressive net profit increase (+60.5%, exceeding 79 million euro).

Such results reflect: a well-balanced mix between regulated and liberalised markets, a limited exposure to electrical power generation, the contribution from plants that have recently started operations (Modena and Rimini WTE plants as well as Imola cogeneration plant), and the opportunity - thanks to the good outcome of commercial efforts in terms of client base expansion - to catch the volume growth potential of an economy that is beginning to recover.

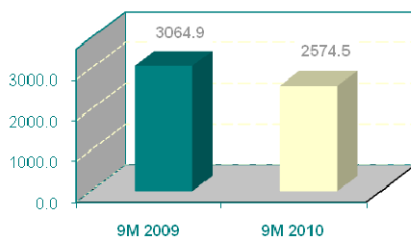
While many comparables in Italy struggle with the need to deleverage, Hera benefits from a sound balance sheet structure: having just completed an intensive investment phase, net financial debt is still under 2 billion euro, while operating cashflow generation is in excess of investment financing needs for the second quarter in a row, with a free cashflow of 43 million euro in the second quarter and of further 7 million euro in the third one.

Hera's Board of Directors has just approved a 140 million euro convertible bond issue: we do not aim to reduce debt, but to increase our financial flexibility in order to be ready to pursue external growth opportunities in a fast-changing scenario that will likely provide us with the opportunity of several tenders over the coming months.

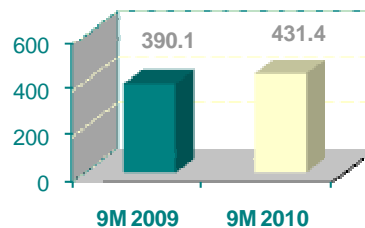
2010 nine-month results therefore support our hope to be able to submit to the Annual General Meeting the approval of a 9 euro cts dividend, up from the 8 euro cts distributed for the 2009 fiscal year.

Tomaso Tommasi di Vignano

REVENUES € mn



EBITDA €mn



NINE-MONTH 2010 RESULTS

(data in million euro)

REVENUES 3,064.9 (-16.0%)**EBITDA** 431.4 (+10.6%)**EBIT** 218.2 (+12.9%)**INVESTMENTS** 244.3 (of which 241.8 operating)**NET FINANCIAL DEBT** 1,963.0**Focus on 2010 nine-month results: good premises to propose to the AGM the approval of a 9 euro cts dividend**

During the first nine months of 2010 **all business areas, except Water, showed a volume increase**: those favourable dynamics counterbalanced the negative impacts from the fall in energy commodity prices, which in turn drove to a reduced energy trading activity as well to a lower counter value of methane gas sales, despite rising volumes.

While consolidated revenues presented an unavoidable decline (-16%), at EBITDA Hera posted a **41.3 million growth**, reaching 431.4 million euro (+10.6%).

EBITDA margin therefore increased from 12.7% to 16.8%, thanks to improving EBITDA margins in all core business areas of the Group.

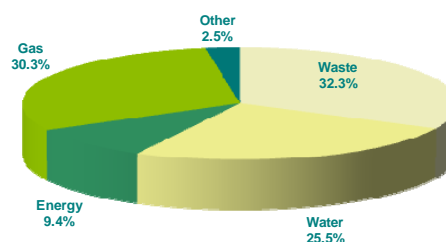
Below the EBITDA level, all result items present even more sizeable increases vs. the respective nine-month 2009 figure.

EBIT grows by 12.9% while pre-tax profit increases by 47.5%, thanks to a 3 million

euro fall in net financial charges and no costs linked to the fiscal moratorium, which were present in the 2009 P&L.

Finally, net profit rises by 60.5%, reaching 79.1 million, also thanks to the decline in average tax rate from 46.3% to 41.6%.

VOLUMES	H1 2009	H1 2010	Growth
Power Generation (GWh)	5111.4	5712.8	11.8%
Gas Distribution (mn m3)	1517.0	1650.5	8.8%
Gas Trading (mn m3)	461.2	524.4	13.6%
Heat Volumes (GWh)	301.8	355	17.6%
Urban Waste (000 t)	1342.2	1406.7	4.8%
Waste from mkt (000 t)	1112.0	1202.4	8.1%
Waste treated by plant (000 t)	3850.4	4297.9	11.6%
Acqueducts (mn m3)	195.3	192.6	-1.4%

H1 2010 EBITDA BREAKDOWN

All business areas showed a higher EBITDA than in the first nine months of 2009, with the exception of Other Services, which is undergoing a rationalisation.

The **Gas** sector improves its contribution to consolidated EBITDA vs. one year ago by roughly one percentage point. Increases in distributed and sold volumes have allowed Hera to compensate for the impact of the price fall in the commodity component; a decline that is evident at the revenue level (-9,5%). Profitability in the Gas area also benefits from lower capitalised costs, following the merger into the Parent Company of the Territorial Operative Companies.

Once again Hera confirms to be able to take advantage from the optimisation of the gas procurement, which is 98% hedged through long-term contracts.

Waste EBITDA benefits from the increase in treated volumes and from a higher efficiency in plant utilisation. Sold waste grows by 6.3%, driven by the increase in special waste (+8.1%).

In **the Water business**, notwithstanding the

EBITDA	H1 2009	H1 2010	Change
Waste	129.2	139.3	7.8%
Water	96.7	110.2	14.0%
Gas	115.6	130.7	13.1%
El. Energy	32.6	40.4	23.9%
Other	16.0	10.9	-31.8%
TOTAL	390.1	431.4	10.6%

(data in mn euro)

slight reduction in volumes, due to a rainy summer that reduced the demand for irrigations, EBITDA anyhow shows an improvement, mirroring the tariff adjustments achieved for additional services provided and for the related investments.

In the **Electric Energy** business EBITDA increases, even in terms of weight on Group's EBITDA, thanks to higher volumes both sold and distributed, as a result of a successful marketing and of a demand recovery underway, in spite of reduced trading activity and of lower energy market prices.



Launch of a bond issue, convertible in equity in 2013, for a maximum counter value of 140 million euro

PLACEMENT: Domestic and International institutional investors; no public offer

LENGTH: ca. 3 years

EQUITY SWAP: in 2013

AMOUNT: 130 million; extendable to a maximum of 140 million, should the over-allotment option be exercised (in case of a demand over 130 mn)

GOAL: Rationalise and make Hera's financial structure even more efficient, collecting new means at a lower cost than the present average one, with likely positive consequences in terms of stock price and of corporate debt ratings.

RIGHT ISSUE: The Shareholders' Meeting, scheduled on 2 December 2010, will resolve upon the authorisation of a capital increase linked to the equity conversion of the bond.

Further details will be available in a press release coming soon.

Hera re-gains the silver award in the Italian web ranking



For the second year in a row, again in 2010 Hera has taken the silver award in the Italian Webranking issued by Hallvarsson & Halvarsson.

Eni, which in 2009 resulted in being even the best European company in terms of corporate online communications, ranks first with just 1 point separating its score from Hera's one (87.75 vs. 86.75 points scored by Hera). Such a result provides Hera with a positioning at excellence levels, in a direct comparison with the absolute best practice on the

continental scene.

Hera can count on innovative and effective tools in its communications towards all stakeholders - this is for instance the case of the interactive Annual Report, both in Italian and in English, which is issued one month before the date of the AGM since 2007. Starting from 2009 moreover Hera makes available on its corporate website even the browsable Interim Report and the Sustainability Report in an interactive format.

Besides innovation reasons, Hera has achieved a high score more generally for the transparency featuring its communication.

2008 Top 10 Italian Companies	2009 Top 10 Italian Companies	2010 Top 10 Italian Companies
1 Eni	1 Eni	1 Eni
2 UniCredit Group	2 Hera	2 Hera
3 Telecom Italia	3 Pirelli&C	3 Telecom Italia
4 Edison	4 UniCredit	4 Pirelli & C.
5 Pirelli&C	5 Telecom Italia	5 Piaggio
6 Hera	6 Edison	6 Unicredit Group
7 Snam Rete Gas	7 Snam Rete Gas	7 Snam Rete Gas
8 Assicurazioni Generali	8 UBI Banca	8 Assicurazioni Generali
9 UBI Banca	9 Assicurazioni Generali	9 Luxottica
10 Autogrill	10 Luxottica	10 Cir

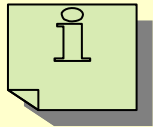
EISER EXERCISES THE OPTION FOR BUYING A FURTHER 5% STAKE IN HERAMBIENTE

Eiser Global Infrastructure Fund has declared that they would willingly exercise the option for buying a further 5% of Herambiente, so reaching a 25% overall stake in the waste company share capital.

The transaction, which has been approved by the today's Board of Directors, will take place by 31 December 2010.

Eiser will purchase the further 5% stake at the same price at which the 20% stake has been sold (overall value of 100.4 million euro).





CONTACTS

Head of Investor Relations:

Jens K. Hansen
T.+39 051 287737

2010 FINANCIAL CALENDAR

11 November
BoD for the approval of 2010 nine-month results

2 December
Shareholders' Meeting resolving upon the capital increase linked to the issue of the convertible bond



CCGT plant at Imola

HERA SHARE

Price as of 10 Nov.2010: **1.5 €**
High-low 365 dd: **1.7-1.3 €**
N. outstanding shares: **1,115,013,754**
Mkt Cap: **1.6 bn €**

Specialist: **Merril Lynch**

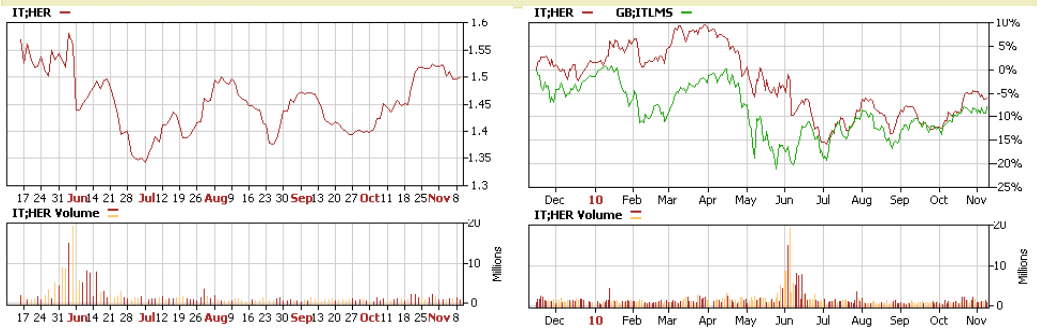
Consensus target price **1.97 €**
(source: brokers' research):

STOCK INDEX MEMBERSHIP

FTSE Italia Mid Cap
DowJones Stoxx TMI
TMI Utility
Axia Ethical
Kempen/SNS Smaller Europe
SRI Index
Dow Jones Stoxx 600

Next issue of this newsletter will be in **March 2011**

Hera share 6-month and 1-year performance vs. FTSE All-share index



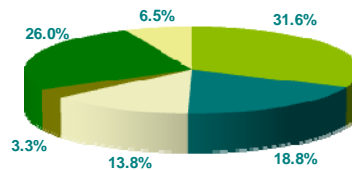
Source: Thomson Reuters

In October 2010 Hera share price again outperformed the index of the whole Italian equity market. Investors met during the top management roadshow that took place during the last weeks both appreciated and considered credible the presentation of the new 2010-2014 business plan, as well as the commitment to achieve an absolute growth in the dividend per share - with positive consequences already for the dividend that will be proposed to the next Annual General Meeting, equal to 9 euro cts.

The share price recovered a 13% from the low of 1.34 euro of 5 July 2010, showing a clear acceleration in the days following the new plan presentation.

Shareholding and Analyst Coverage

MAIN SHAREHOLDERS



- Free float
- Bologna municipalities
- Modena municipalities
- Ferrara municipalities
- Romagna municipalities
- 6 Shareholders' Pact

The 6.5% stake refers to a pact of six shareholders: Gruppo Società Gas Rimini, Fondazione Cassa di Risparmio Forlì, Carimonte Holding SpA, Fondazione Cassa Risparmio Imola, Equiter SpA, Fondazione CarisBo.

Shareholders that officially own stakes above 2% in Hera's share capital did not change compared to the picture at the time of the last issue of this Newsletter.

Following the presentation of the 2010-2014 business plan, analysts updated their estimates and valuation models. Average target price nonetheless showed just a narrow change vs. the previous one: it moved from 2.0 to 1.97 euro.

Despite the significant increase in October, Hera share price continues to present a huge potential in terms of undervaluation, to the extent of some 34%.

	10 Nov. 2010	
Broker	Target price €	Rating
Banca Akros	2.3	Buy
Banca IMI	2.0	Buy
Banca Leonardo	2.1	Buy
CAI Cheuvreux	1.8	Outperform
Centrobanca	1.7	Buy
Deutsche Bank	2.3	Buy
Equita	1.8	Buy
Intermonte	1.8	Outperform
Kepler	1.9	Buy
Mediobanca	2.0	Outperform
Merrill Lynch	1.8	Buy
Santander	2.2	Buy
Unicredit	2.0	Buy
Average	1.97	