

Extraordinary issue

The information contained in this newsletter is as of October 19th, 2010

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2010-2014 Business Plan Presentation
October 19th, 2010



The press release and the presentation of the 2010-2014 Business Plan area available at www.gruppohera.it

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HeraNews

Investors' newsletter



2010-2014 Business Plan presented: Message from the Chairman of the Board

Dear Shareholders,

The five-year business plan that we present today indicates the path that Hera will follow over the coming years. The plan features a track of continuity with the past. We want to leverage on the same strengths that have characterised our development since the Company inception; precisely the ones that allowed us to post a profitable and quick growth, till the achievement of the present relevant size, while maintaining a limited risk-profile through the diversification in different business areas - namely Waste, Energy and Networks.

The set of numbers representing a picture of this path are self-explaining: **from 2003 to 2009 our Net Invested Capital has almost tripled, jumping from 1.3 to 3.6 billion euro, while EBITDA increased from 243 to 567 million euro, at a compound average growth rate of 15% over the period, the third highest among European utilities.** As I have just said, we mean to action those levers that in the past allowed us to achieve such results: a multi-business portfolio, which is well-balanced both in terms of presence in each sector and of weight of regulated businesses, boasting strong competitive positions in each business area; sizeable market shares on the territory; continuous efforts to extract synergies and efficiencies, in order to improve EBITDA margin; lastly, implementation of an innovative organisational and operating model, which presently sets an excellence benchmark for the whole sector in Italy.

“The external operating scenario for the next decade is dominated by a tendency to rationalization”.

“In facing it, Hera can rely on a favourable market position, on a solid financial balance and on lower annual capital expenditure than in the past.”

Starting from 2010 we will be able to show the complete benefits of the 2.4 billion investment plan carried out from 2003 to 2009, thanks to the contribution from the most recently built WTE plants, which are now fully operational.

Cash flow generation will be then much more 'solid' and visible than in the past.

From an industry viewpoint, we believe that the **Energy** market provides opportunities for a further expansion: in this business we will therefore focus our efforts in order to achieve the target of 2 million clients at the end of 2014. In the **Waste** business we expect to be able to

(continue on page 2)



“The new plan to 2014 aims to leverage on the same strengths that in the past allowed Hera to grow, in a quick and profitable way, keeping a low risk profile”.

UNIQUE MULTI-BUSINESS PORTFOLIO

STRONG POSITIONING

EFFICIENCY GAINS

INNOVATIVE MODEL

Those advantages are crystal clear even looking at the Q1 2010 results, which showed a 33.8% growth at bottom line.

If on one hand the strategic plan indicates a continuity with the past, on the other one the external operating environment calls for an adequate re-focusing on the operators' side. The tendency to rationalisation at a regulatory level prioritizes, for the whole industry, a deleveraging process and a rationalisation of the business portfolio according to a chain rationale. Hera faces this new complex scenario relying on a **strong positioning achieved in an articulated business portfolio, with an adequate group organisational structure, a deep-rooted efficiency culture, a solid financial balance and - last but not least - leaving the peak of investments behind itself.**



2010-2014 Business Plan Presentation October 19th, 2010



Message from the Chairman of the Board

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achieve a sizeable organic growth, thanks to the asset capacity and to an expected increase in the demand for waste treatment at a rate by far higher than the

one of GDP. As regards **Networks**, we believe that both the direct control deriving from our ownership of the assets and the levels of efficiency already gained can favour us when aiming to enhance our presence in the reference territories, while auctions will take place in the sector over the next years.

The new 2010-2014 business plan, despite the complex external operating scenario, is still a plan pursuing a growth strategy; a growth that is ever and ever more profitable and well-balanced from a financial point of view.

The increase in EBITDA - which is expected to move from 567 million euro in 2009 up to 750 million euro in 2014 - will be driven by synergies (73 million), by organic growth (70 million) and by the contribution from new plants (40 million): the all of them being components boasting high visibility, on the back of our proven capacity of extracting efficiencies, on the basis of the tariff increases already agreed till 2012 in the water and waste business, given the

high loyalty of clients combined with the effectiveness of our cross-selling activity and, lastly, considering the capacity of the new WTE plants.

The new business plan moreover includes 1.7 billion euro in selected investments over a five-year period, i.e. some 340 million yearly. The capex plan, which is 58% focused on regulated businesses, presents flexibility and attractive returns.

The new business plan furthermore aims to transfer down to bottom line the growth that will be reached at EBITDA level to a much more significant extent than in the past.

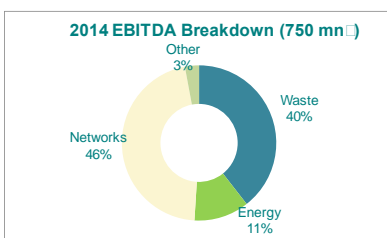
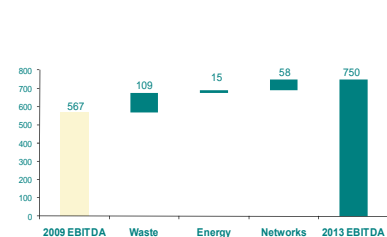
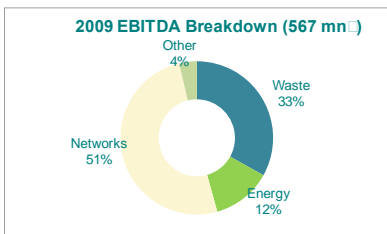
Yearly average capital expenditure will be some 120 million lower than in the previous (2005-2009) five-year period: that will result into a lower EBITDA absorption from depreciation.

Net financial indebtedness, thanks to the strong cash flow generation and to the contemporaneous deceleration of investments, is expected to follow a controlled profile, with the ratio 'Net financial debt to EBITDA' below 3 times by 2013.

That will generate a gradually lower and lower absorption of EBIT by net financial charges; it will pave the way, as a result, to wider room for manoeuvre for transferring improvements in operating results down to bottom line.

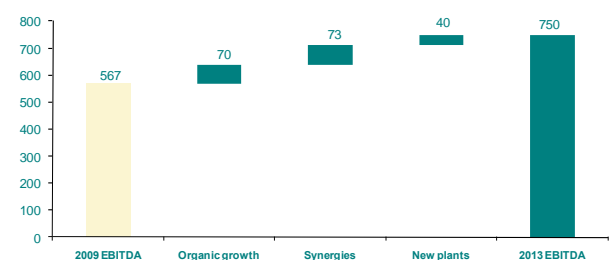
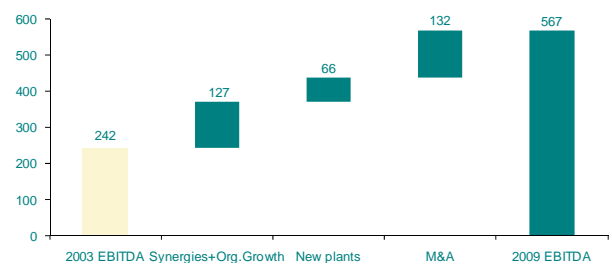
Tomaso Tommasi di Vignano

“All business areas will contribute to the EBITDA expected growth”



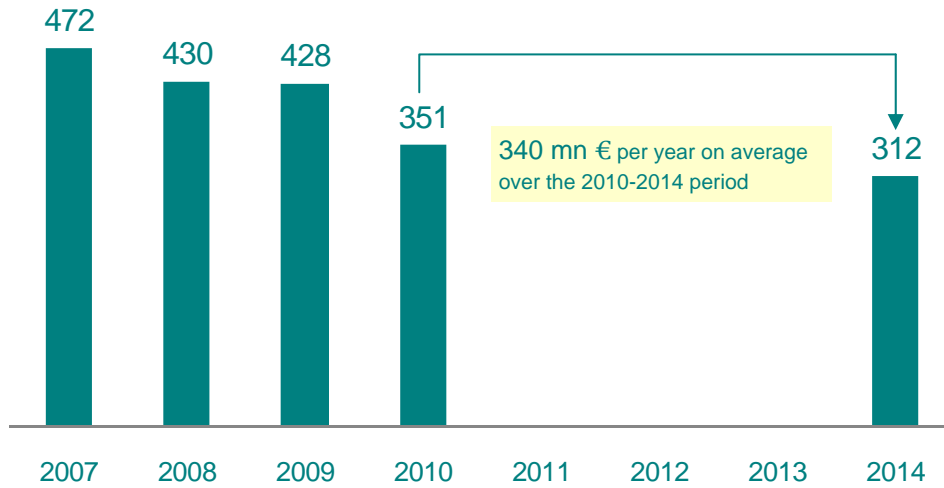
EBITDA GROWTH DRIVERS (figures in million euro)

“The EBITDA growth over the 2010-2014 period is expected to be driven by highly-visible factors.”



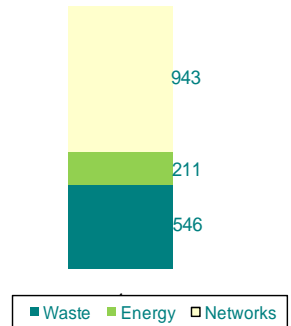
2010-2014 Capex Plan of 1.7 billion euro

Yearly capex (mn €)



CAPEX BY BUSINESS AREA

CAPEX BREAKDOWN 2010-2014 (1.7 bn €)



Hera ranking first in the CSR Online Awards

Hera has won a further award, following up to the recent second ranking achieved in the Webranking of Hallvarsson&Halvarsson for Italy.

In this case, the award is based on the assessment of the quality of online communications of sustainability issues.

The survey, conducted by the independent firm Lundquist on the back of criteria set by 250 international experts in the field of CSR, has indicated for Hera a score of 77 points, which allowed the Company to win the award for the best online communication of sustainability issues among Italian companies.

Tools available in the CSR pages of the Hera's corporate website

Lundquist CSR Online Awards Italy 2010

ACHIEVED SCORE

1. Hera (77)
2. Eni (75.5)
3. Fiat (73.5)
4. Telecom Italia (69)
5. Enel (68)
- 6= Pirelli & C. (66)
- 6= Terna (66)
8. Banca MPS (65.5)
9. Snam Rete Gas (65)
10. UniCredit (62)



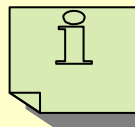
SALE OF THE 20% STAKE OF HERAMBIENTE COMPLETED

Agreed countervalue of 100.426 million euro

On October 15th, 2010 the sale of the 20% stake in Herambiente capital to the fund EISER Infrastructure Limited has been completed, following the agreement of July 27th, 2010.

Starting from October 15th, EISER has 90 days in which to exercise its option to buy a further 5% stake at the same per share price at which the 20% stake has been sold.





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2010 FINANCIAL CALENDAR

November 11th
Board of Directors for the approval of 9-month 2010 results



HERA SHARE

Price as of 18 Oct. 2010: **1.45 €**
High-Low 365 dd: **1.8-1.3 €**
N. outstanding shares:
1,115,013,754
Mkt. Cap.: **1.6 bn €**

Specialist: **Merril Lynch**

Consensus target price **2.0 €**
(source: broker research)

Stock Index Membership

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

Next issue of this **newsletter** will be on **November 11th**

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



Source: Thomson Reuters

If we compare the present situation with the one at the time of the last issue of HeraNews, on August 26, 2010 when semi-annual results were released, Hera stock price has not established any relevant trend yet. Its movement continues to be erratic, even though the price remains roughly 8% above the period-low, i.e. the 1.34 euro bottom level reached on July 5, 2010.

Following the dividend payment date (June 6), the share presented heavy trading volumes (with peaks of 8-19 million in terms of volumes), indicating a strong change in its shareholder structure.

Analyst Coverage

All broker analysts covering the Hera stock have moved to very positive valuations; on average their target price is equal to 2.0 euro. At current prices the share presents a potential revaluation upside of 40%.

Today in London Hera's top management presents the new strategic plan to the financial community; hence, they will be travelling around Europe, reaching all the major financial destinations, as well as in North America, where the road map includes New York City and Toronto.

HeraNews: managed by **Jens K.Hansen**

Concept and editorial contents: **Blue Arrow, Milan**