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First quarter 2011: sizeable acceleration in growth

Dear Shareholders, first quarter results once more reflect the effects of clear strategic choices, consistently and restlessly pursued over time, as shown by EDITDA that in the last quarter reached euro 224.3 million, up 39.2 from Q1 2010; an increase pretty much in-line with the 12-month growth of 40 million recorded in FY2010. The 21.2% quarterly growth at consolidated EBITDA mirrors a good performance in all business areas; we could particularly benefit from market share growth in liberalised sectors, with the brilliant results in the Energy business area, which almost doubled its EBITDA (+99.4%), thanks to successful commercial activities coupled with a flexible and cautious procurement policy. Waste as well had a substantial impact on results, since electricity production could increase provided that all new plants became fully operational. Performance gets better and better as long as we descend from EBITDA to net profit, which marks a +41.6% yoy change. That proves Hera capacity to transfer improvements in operating performance down to bottom line; a key premise even to assure attractive returns to shareholders.

These quarterly results, even though mainly driven by organic growth, get a marginal but still positive contribution from the extension of the Group scope of consolidation, thanks

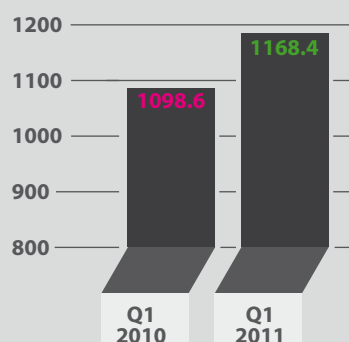
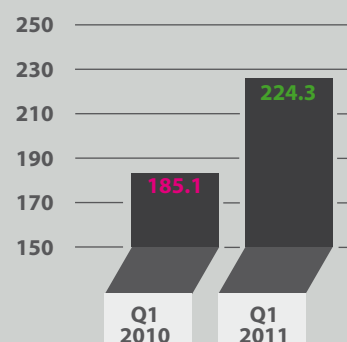
to the establishment of a joint venture that contributed with a new power generation plant from renewable biomass. Growth by external lines continued even after 31 March, thanks to the acquisition of a commercial company operating in the Marche region, which significantly strengthened Hera's position in the area.

The sharp acceleration in growth shown in the first quarter of 2011 is highly satisfactory to us; it also encourages us in pursuing the established development path; on the other side, sound results achieved do not allow us to lower the guard, nor to assume that the toughest part is behind us. So, we will not take for granted the reach of our objectives.

Tomaso Tommasi di Vignano



**IN FIRST QUARTER
2011 EBITDA GREW
BY OVER 39 MILLION
– PRETTY MUCH AS
IN FULL YEAR 2010**

Revenues

Ebitda


P&L indicators' performance gets better and better as long as we descend from EBITDA to bottom line.



FIRST QUARTER 2011

(figures in million euro)

REVENUES

1,168.4 (+6.4%)

EBITDA

224.3 (+21.2%)

EBIT

151.3 (+28.6%)

INVESTMENTS

59.8

(100% operating)

NET FINANCIAL DEBT

1,864.2

Focus on first quarter 2011 results

/// An improved operating performance in all business areas drove the 21.2% growth of Group's EBITDA.

/// Healthy quarterly results are even more remarkable if we consider the impact of mild winter temperatures on gas volumes and the cautious provision charge.

/// Strong cash flow generation continues; in light of lower investments that allows a gradual debt reduction (-13.8 million).

In the first quarter of 2011, if the increase in revenues reached 6.4%, the one at EBITDA level was sizably larger (+21.2%), thanks to the improved operating margins in all Group business areas, notwithstanding the negative impact on gas volumes of milder temperatures compared to the first quarter of 2010. The rise at EBIT level reached 28.6%, despite the increase of 5.6 million in the item Depreciation and Provisions, owing to the cautious policies in credit risk provisioning that

Hera decided to pursue.

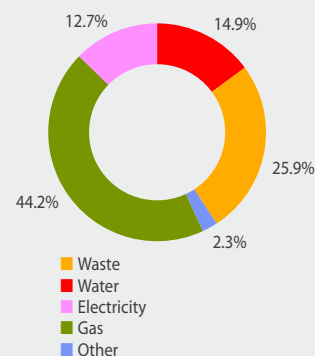
Cash generation, for the third quarter in a row, proved to exceed investment funding needs, allowing a 13.8 million reduction in net financial debt; such decline, together with a careful financial management, led to a stability in terms of weight of net financial charges on revenues and, hence, to an expansion of the pre-tax profit to the extent of 34.3%. Net profit, lastly, recorded a 41.6% growth, even thanks to a tax rate decreasing by 3 percentage points.

*All business areas showed a higher EBITDA compared to the first quarter of 2010. The larger increase (+99.4%) was achieved in the **Electricity** sector, which rises its weight on Group's EBITDA from 7.7 to 12.7%; in that area EBITDA grew mainly driven by higher volumes sold (+36.5%) and thanks to a careful procurement policy, which allowed Hera to close contracts at advantageous prices. The second highest EBITDA increase took place in the **Gas** sector; the decline in volumes sold (-5.7%) and distributed (-6.0%), due to*

*less favourable climatic conditions, with average temperatures exceeding the ones of the same period of 2010, could not wipe off the positive effects of higher margins in gas sales, good trading results and higher distribution revenues. The increase in the EBITDA of the **Waste** sector was led by the rise in volumes of market commercialized waste (+6.0%), in spite of harder competition, by higher revenues from power generation of the new WTE plants, as well as by the tariff adjustments for increased services of special waste collection. Lastly, in the **Water** area, in spite of the fall in volumes due to the consumptions' weakness, EBITDA recorded a 5.4% improvement, thanks to the continuous effort for gaining new operating efficiencies and to the tariff adjustments achieved both for wider services provided and for linked investments.*

THE ENERGY SECTOR INCREASES ITS WEIGHT ON THE GROUP'S EBITDA FROM 7.7 TO 12.7%

Q1 2011
EBITDA Breakdown



MOL

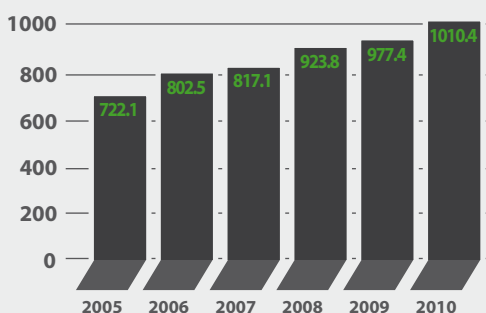
€ mn	Q1 2010	Q1 2011	Change
Waste	52.2	58.0	11.1%
Water	31.7	33.4	5.4%
Gas	81.9	99.1	21.0%
Electricity	14.3	28.5	99.4%
Other	5.0	5.2	3.7%
TOTAL	185.1	224.3	21.2%

Sustainability at Hera

/// Many new achievements and a confirmation: Value Added for stakeholders continues to grow

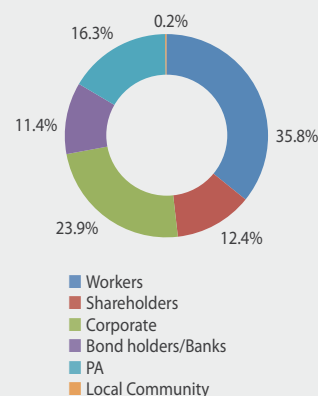
As usual over the last four years, during the last Annual Meeting Hera presented the 2010 Sustainability Report, which identifies in each of the three areas of the economic, social and environmental responsibility, its commitments, results achieved and perspective targets. The 2010 Report in particular points out that, in spite of a still hard macroeconomic context, in 2010 the Company succeeded in achieving the target of increasing the dividend for over 22,000 shareholders, from 8 to 9 cents per share. Another relevant goal reached is about certifying the safety at the workplace management system for Hera S.p.A., while the path of Emas environmental registration of the Herambiente treatment plants is

Gross Overall Value Added (mn €)



drawing to a close, since at year-end Emas registrations covered 72% of the plants in terms of treated waste. 2010 was also the year during which the Code of Ethics was revised.

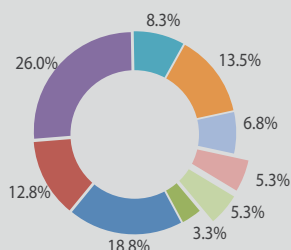
VA breakdown by stakeholder



Sizeable attendance at the Annual General Meeting

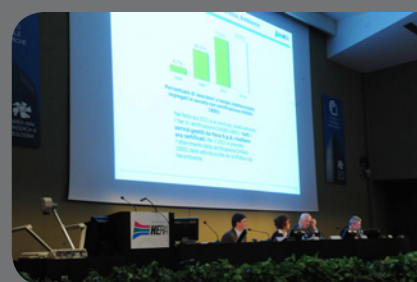
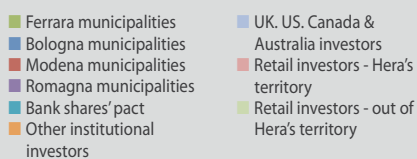
The Annual Shareholders' Meeting of 29 April presented a sizeable attendance, since 79.6% of the share capital participated, both in person or by proxy. Hera had indeed promptly adopted the changes introduced by the "Shareholders' Rights Directive", aimed at facilitating proxy voting mechanisms and at making the shareholders' dialogue with the Board more open and effective, even in the pre-AGM period.

The picture of the shareholder base at the so called "record date", i.e. the term by



which shareholders have to communicate their participation and the number of shares owned, allowed the Company, by integrating the new information with Consob filings, to achieve an identification close to 100% of the shareholding structure. This represents a good starting point to optimize Investor Relations' activities. The pie chart shows the figures of such elaboration in detail.

Shareholders



AGM resolutions

Shareholders, during the Meeting of 29 April, approved the 2010 Financial Statements and the distribution of a dividend per share of **9 cents**, which will be paid starting from **9 June**, following the ex-dividend date of 6 June. The Shareholders' Meeting this year has also appointed a new Board of Directors and a new Board of Statutory Auditors. Members of both Boards will remain in office for three fiscal years.

Hera top executives confirmed for the coming three years: Ensured continuity to Company strategy and management

The Board of Directors of 2 May unanimously confirmed Tommaso Tommasi di Vignano as Chairman and Maurizio Chiarini as CEO. A clear appreciation, coming from the shareholders' side, for the strategy that the

top management of Hera succeeded in identifying and executing, as both FY2010 and Q1 2011 results prove. Another sign that shareholders mean to provide, through the confirmation of top executives, continuity to the path that the Company is following.



Tommaso Tommasi di Vignano



Maurizio Chiarini

Hera share

Price as of 11 May 2011: **1.7 €**

High-Low 365 dd: **1.3-1.7 €**

No. outstanding shares: **1,115,013,754**

Mkt. Cap.: **1.7 mld di €**

Specialist: **Merril Lynch**

Consensus target price: **1.97 €**

(source: broker research)

Hera's stock index embership

FTSE Italia Mid Cap

DowJones Stoxx TMI

TMI Utility

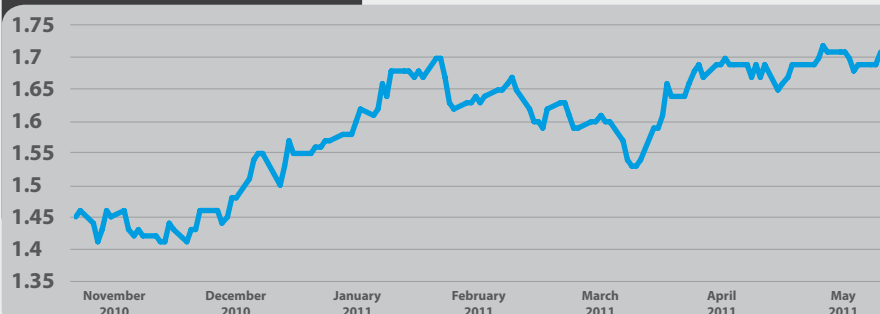
Axia Ethical

Kempen/SNS Smaller Europe SRI

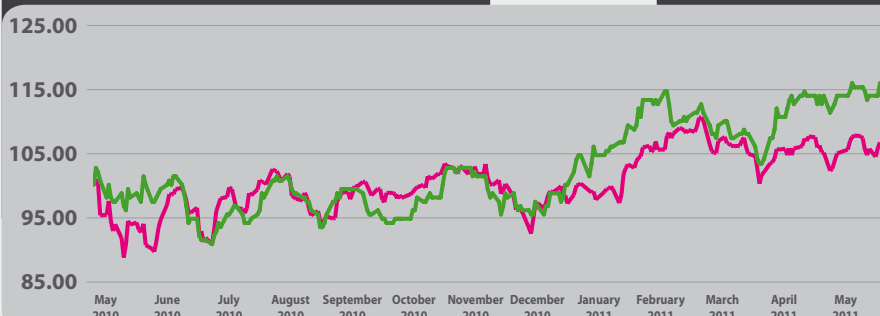
Index

Dow Jones Stoxx 600

6-month absolute performance



PerformanceHera vs. FTSE Italia All-share Index



Following the issue date of the last newsletter (24 March 2011), Hera stock price moved inside a box, ranging from 1.65 and 1.72 euro (high reached on 28 April 2011), proving its strength in keeping levels that represent 1-year highs, after the retracement which took place since February till mid-March 2011.

The 1-year chart, showing Hera's performance relative to the Italian equity market index (FTSE Italia All-share Index), indicates that the stock has outperformed the benchmark starting from April 2011.

ANALYST COVERAGE

Hera continues to present an overwhelming majority of favourable broker ratings, with 11 buying recommendations (Buy, Outperform or Add) and just a couple of them on the neutral side (Hold, Neutral). No analyst suggests to sell the stock.

Such a picture, exceptional among comparable companies, can be easily understood considering the wide discount at which the Hera stock trades vs. the consensus target price, which still indicates a 16% undervaluation. Half of analysts covering the stock have therefore suggested to include Hera in portfolio top picks.

Broker	Target price €	Rating	Broker	Target price €	Rating
Axia	2.0	Buy	Equita	1.9	Hold
Banca Akros	2.3	Buy	Intermonte	1.8	Neutral
Banca IMI	2.0	Add	Kepler	2.0	Buy
Banca Leonardo	2.1	Buy	Mediobanca	2.0	Outperform
CAI Cheuvreux	1.9	Outperform	Merrill Lynch	1.8	Buy
Centrobanca	1.7	Buy	Unicredit	2.0	Buy
Deutsche Bank	2.3	Buy	Average 13 brokers 1.97		11 May 2011

12 May

BoD for the approval of Q1 2011 results

25 August

BoD for the approval of H1 2011 results

10 November

Board for the approval of nine-month 2011 results



CONTACTS

Head of Investor Relations

Jens K. Hansen

T.+39 051 287737

jens.hansen@gruppohera.it

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Jens K. Hansen

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