

Year 5, Issue 1

The information contained in this Newsletter is as of March 29th, 2010

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The HTML version of our **2009 Annual Report** and the **Press Release** are available on the website at:

www.gruppohera.it

/Investor Relations/

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HeraNews

Investors' Newsletter



FY09 results presented: Message from the Chairman of the Board

Dear Shareholders,

In 2009 Hera succeeded in achieving an increase at EBITDA level, for the seventh year in a row since its inception. The growth posted in this last fiscal year - even though stemming from the same strategic levers that allowed us to grow in the past years - carries a different weight with us, because we achieved it in the hardest context we have never experienced. In 2009 not only we had to react to the sizeable impacts of the economic downturn on our business volumes, but we also had to face the request from the Fiscal Revenue Office to recover the so-called "State aids" granted in the past to utility companies, which in our case amounted to 27.6 million euro.

A thorough analysis of the 2009 results, which present a 13% increase in revenues, a 7.4% improvement in EBITDA and a 3.8% growth in EBIT - indicates the validity of our strategic platform, which targets growth while maintaining a conservative risk profile. Net of the effects of the "fiscal moratorium", also the net profit adjusted shows a slight increase over 2008.

In light of these considerations, the Board decided to propose to the Shareholders' Meeting to approve the distribution of an 8 cents dividend per share, unchanged vs. the previous year.

So we propose to our shareholders an attractive remuneration, with a 4.9% yield, calculated as the ratio 'proposed dividend' to 'share price at 2009 year-end', which was equal to 1.62 euro.

During the 2009 fiscal year we have also achieved a series of outstanding results, starting from the execution of the investment plan with the WTE (Waste to Energy) and cogeneration plants fully operational. We could grow even thanks to the acquisition of the gas distribution and district heating networks, funded by a capital increase reserved to the entities that contributed the assets, as well as through the acquisition of a first 'strategic' stake of 25% of Aimag, the multiutility operating in territories contiguous to ours, whose contribution to consolidated figures will be visible since 2010.

At present Hera can consequently count on a portfolio of plants and network infrastructures that will allow us, once the economic outlook has changed, to enjoy substantial benefits in terms both of business developments and of profitability.

In view of a better economic environment we are ready for leveraging on another competitive advantage - the leadership in the Waste business - where we represent the most important integrated operator in Italy, thanks to over 77 treatment plants and urban and special disposal facilities. In the same way we believe that we can continue to benefit from an articulated and balanced presence both in liberalised and in regulated sectors.

In the meantime we have also streamlined the Group territorial oversight and organisation, through the integration of territorial companies into the Holding and the establishment of Herambiente : this means that we are better structured to exploit acquisition opportunities and to effectively focus on marketing.

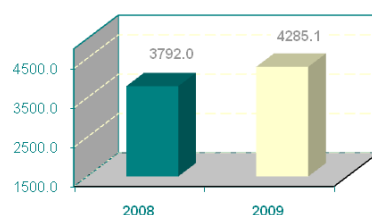
We therefore mean to work with serenity, despite the track proved harder than expected, in order to deliver you the results that we have targeted in our 2009-2013 strategic plan.

Tomaso Tommasi di Vignano

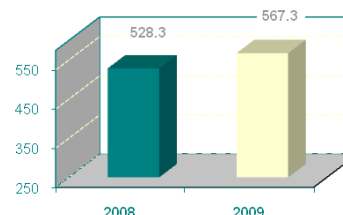


"The proposed 8 cents dividend per share represents a 4.9% yield on the year-end share price. An attractive remuneration to our shareholders".

REVENUES



EBITDA



FISCAL YEAR 2009

(FIGURES IN MILLION EURO)

REVENUES 4,285.1 (+13.0%)**EBITDA** 567.3 (+7.4%)**EBIT** 291.3 (+3.8%)**INVESTMENTS** 428.3 (391.5 operativi)**NET FINANCIAL DEBT** 1,891.8

WTE plant in Modena - outside and inside view.

**Focus on FY09 results**

The **13.0% increase** in consolidated **revenues** is mostly driven from the **Electricity** business, which benefited from higher traded volumes (+38.9%), generated by strong marketing actions that led to a 17% expansion in the number of clients.

Consolidated EBITDA improves by 7.4% reaching 567.3 million, thanks a positive contribution provided by all the sectors, as the table at the bottom of this page proves, with the exception of **Electricity**, whose EBITDA, declining by 2.6%, reflects the negative performance of the regulated part of the business due to the economic downturn. All the other businesses benefited from tariff adjustments and could increase their EBITDA, even though to a different extent, depending on business volume performance.

In the **Gas** sector, the decrease in demand due to the economic weakness has been indeed offset by lower temperatures than in 2008, increasing the heating consumptions. In the **Water** sector volumes were stable, because of the lack of new connections (the building industry is slack indeed). Lastly, the **Waste** sector was the worst affected by the crisis, with a reduction in treated volumes: market waste in fact declined by 7.3%. The contribution from new WTE plants has however allowed Hera to post a slight improvement at EBITDA level (+0.5%).

The additional 39 million vs. 2008 EBITDA are driven by newly consolidated activities to an extent of roughly 38%, even though the contribution from the 25% stake in Aimag is not effective in 2009 yet. Newly operating plants (the WTE in Forlì and Modena, as well as the Imola Cogeneration

facility) represented another 37% of total growth. Synergies and organic growth provided a fairly good contribution too, covering 1/4 of the consolidated EBITDA increase, despite negative crisis impacts.

For the **seventh year in a row** Hera succeeds in **expanding its EBITDA**, as the chart below indicates.

EBIT rises by **3.8%**. Starting from the EBITDA amount, it reflects 276 million in charges for Depreciation and Provisions, due to new investments and to a cautious increase of bad debts provisions (by 4 million).

Under the EBIT line the Hera P&L account is heavily impacted by the effects of the recovery of the so called "State aids". Net financial charges linked to the debt slightly increase vs. 2008, even though net financial debt expands, due to new investments, from 1,571.5 million as at 2008 year-end to 1,891.8 million as at 2009 year-end: this thanks to a lower average cost of debt. On the other hand, the weight of the charges for the "**fiscal moratorium**" is very heavy; they amount to **27.6 million** as a whole; moreover they are not deductible by 15.3 million. The bottom line therefore presents a decline from 100.3 to 85.0 million.

Net profit adjusted for the "moratorium" impacts on the contrary **grows** from 94.8 million in 2008 to 95.3 million in 2009.

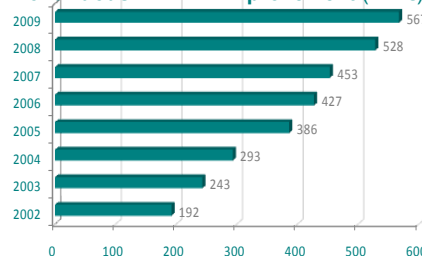
⇒ **DISTRIBUTED DIVIDEND**
FY08: 8 cts.

⇒ **PROPOSED DIVIDEND**
FY09: 8 cts.

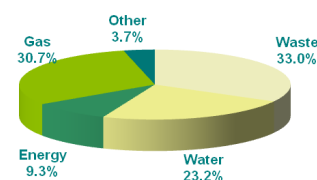
⇒ **AGM'S RESOLUTION**
DATE: 29-30 APRIL 2010

⇒ **EX-DIVIDEND DATE:**
7 JUNE 2010

⇒ **DIVIDEND PAYMENT**
DATE: 10 JUNE 2010

Continuous EBITDA improvement (mn €)

EBITDA	FY08	FY09	Change
Waste	186.3	187.3	0.5%
Water	130.2	131.4	0.9%
Gas	143.8	174.4	21.3%
Energy	54.4	53.0	-2.6%
Other	13.5	21.1	56.3%
TOTAL	528.3	567.3	7.4%

2009 EBITDA BREAKDOWN

Water and Waste, taken together, continue to exceed the half of EBITDA, with an overall weight of 56.2%, even though lower than 59.9% in 2008.

Gas, on the other hand, is the sector showing the most sizeable increase in terms of contribution to consolidated EBITDA, as it grew from 27.2% in 2008 to 30.8% in FY09.

Hera SpA - Capital increase completed

On December 1st, 2009 the capital increase of Hera SpA was completed. The share capital rises from 1,032,737,702 Euro to **1,115,013,754 Euro**, with the issue of 82,276,052 new ordinary shares.

The capital increase, reserved to the Municipality of Ferrara, Holding Ferrara Servizi srl, Area Asset SpA and Con.Ami, was released by these parties through contribution in kind of their respective **gas distribution and district heating networks**.

500 mn euro bond issue successfully placed

The fixed-rate Eurobond, with 500 million euro of notional amount, targeted institutional investors.

It has a 10-year tenor (expiring on December 3rd, 2019) .

GROSS ANNUAL COUPON OF 4.5%

GROSS ISSUE PRICE OF 99.283

The bond is listed on the Luxembourg Stock Exchange.

The transaction has allowed Hera to further lengthen its average debt duration.

As of December 31st, 2009 long-term debts represent over **95% of total debts: a balanced capital structure** compared to the feature of total assets, which shows a largely prevalent weight of fixed assets.



...in 2009 Hera succeeded in ranking second in Italy's webranking

2008 Italy's Ranking Top 10 Companies	2009 Italy's Ranking Top 10 Companies
1Eni	1Eni
2UniCredit Group	2Hera
3Telecom Italia	3Pirelli&C
4Edison	4UniCredit
5Pirelli&C	5Telecom Italia
6Hera	6Edison
7Snam Rete Gas	7Snam Rete Gas
8Assicurazioni Generali	8UBI Banca
9UBI Banca	9Assicurazioni Generali
10Autogrill	10Luxottica

During the second half of 2009 Hallvarsson&Hallvarsson has examined the web corporate and financial communications of Italian listed companies. In November H&H provided the updated rankings.

Hera has achieved second position, totalling 87.5: a score very close to the Eni's 89, which has allowed the Oil&Gas Group to maintain its first place ranking. Hera has increased its score by 12 points vs. 2008 - this even places Hera among the 5 "Best Improver" companies in Italy.

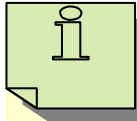


Second Best Corporate Website

Hera

HALLVARSSON
& HALVARSSON
Staffan Lindgren

CORRIERE ECONOMIA
Massimo Fracaro



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2010
FINANCIAL CALENDAR

26th March
Board Meeting to approve
FY09 results

29th-30th April
Annual General Meeting

13th May
Board Meeting to approve
Q1 results

26th August
Board Meeting to approve
H1 results

11th November
Board Meeting to approve
9M results

HERA SHARE

Price as of 26 March 2010: **1.7 €**
High-Low 365 days: **1.8-1.1 €**
No. outstanding shares:
1,115,013,754
Mkt Cap: **1.9 bn €**

Specialist: **Banca IMI**

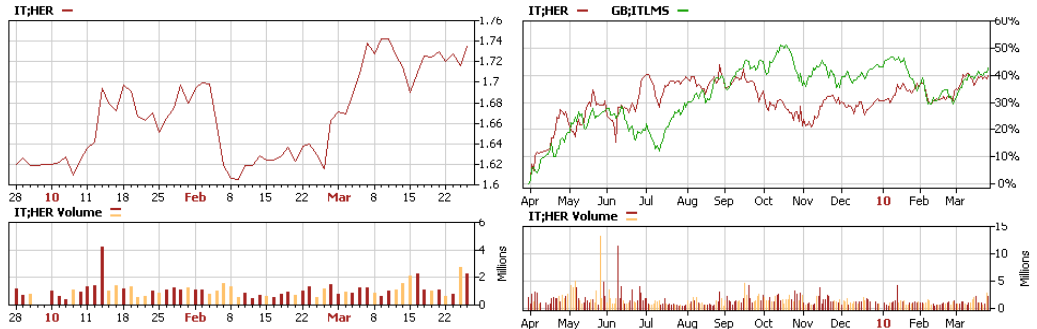
Consensus target price: **2.02€**
(source: broker research):

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 issued
on **13th May 2010**

Hera share 3-month and 1-year performance vs. FTSE all-share index

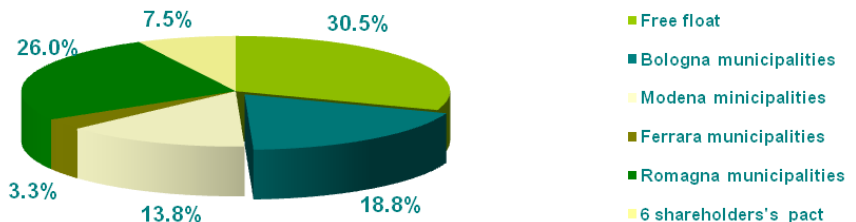


Source: Thomson Reuters

Hera share price showed a sizeable increase vis-à-vis to the low reached in March 2009. More precisely, the share rose by 64% from the 1.1€ low as of 11 March 2009 to the 1.8€ high as of 27 August 2009. It has then retraced part of the rise, coming back to 1.5€ between October and November 2009. Starting from the second week of November, the share has begun to move upwards, so that it could completely close the gap experienced vs. the performance of the all-share index for the Italian market between September and November 2009.

Shareholding and Analyst Coverage

MAIN SHAREHOLDERS



The 7.5% holding 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.

The present picture for Hera share's ratings is very positive: first of all, no analyst suggests to sell the share; secondly we have just 2 neutral ratings (Hold and Neutral), while buying recommendations are 10 (Buy, Add or Outperform).

Target prices range from a 1.8€ low (namely the two brokers proposing a neutral recommendation) to a 2.4€ high.

On the back of present consensus target price (the average of brokers' target prices is equal to 2.02€) the stock shows an upside potential of roughly 20%.

Broker	29th March, 2010	
	Target price €	Rating
Banca Akros	2.3	Buy
Banca IMI	2.0	Add
Banca Leonardo	2.1	Buy
CAI Cheuvreux	2.0	Outperform
Centrobanc	1.8	Hold
Equita	2.0	Buy
Intermonte	1.8	Neutral
Kepler	2.0	Buy
Mediobanca	2.0	Outperform
Merrill Lynch	2.0	Buy
Santander	2.4	Buy
Unicredit	2.0	Buy
Average	2.02	

We await your comments on our newsletter. Please send them to: ir@gruppohera.it

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