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While the crisis continues to persist, Hera lays solid foundations for a profitable 5-year growth

Dear Shareholders, Hera has hit significant targets since the release of the interim report up to date.

In early September we have accepted the proposal from the Fondo Strategico Italiano, aiming to acquire a stake in our share capital. FSI is available for putting into play 100 million euro in terms of new means, in order to allow us to keep a solid financial strength, even after the Acegas Aps integration; FSI would also provide Hera with adequate flexibility in order to catch new development opportunities.

During the weeks following the aggregation with the multiutility of Trieste and Padua, we have analysed with higher granularity the 25 million euro of achievable synergies, focusing on single projects and identifying when we think we will be able to extract them.

We have moreover caught an attractive acquisition opportunity in the Waste sector, by acquiring Energonut SpA from Veolia Servizi Ambientali; Energonut owns a 13.4 MW WTE plant, which will continue to benefit from CIP6 contributions till half-2016, besides a 0.5MW solar plant.

In light of those new elements, we have conducted the planning exercise that we usually present in the last part of the year. The new Business Plan, with a horizon to 2016, is illustrated on page 3 of this newsletter. I would like to point out that the 345 million euro EBITDA growth we have targeted over the 5-year period relies upon very visible drivers in terms of organic growth and on the achievement of integration synergies – that is consolidated pillars of our strategy, which have allowed us to generate continuous sound results, even through the negative phase of the business cycle that

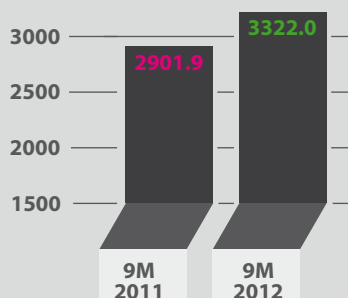
is lasting from 2008. The Plan foresees that we will fund investments thanks to a robust cashflow generation, showing a net excess-cash in 2016: we will therefore have room enough to strengthen our financial solidity and the flexibility to catch up new development projects. At the same time we remain committed to providing adequate remuneration to our shareholders: on the back of net earnings expected, we have guaranteed a dividend per share of at least 9 cent euro for each fiscal year covered by the 5-year Business Plan period. Last but not least, I wish to focus on the results of the first nine months of 2012, approved today. Factors affecting the half-year results continue to persist, in particular in terms of the impact of higher commodity prices on operating margins. The Waste business at the end of September continues to be penalised by the economic crisis, even though to a lower extent than at the end of June. In facing a still hard external environment, Hera again proved to be able to enjoy a business mix and a financial strength allowing us to absorb negative impacts from recession while keeping good levels of profitability.

Tomaso Tommasi di Vignano

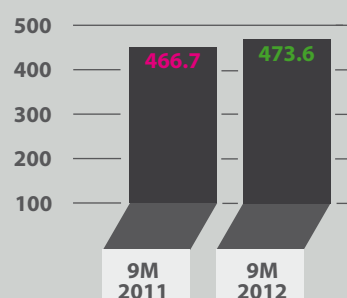


THE BUSINESS PLAN TO 2016 TARGETS AN EBITDA CLOSE TO 1 BILLION EURO

Revenues - m€



EBITDA - m€



Hera continues to maintain good levels of profitability, in spite of the longstanding crisis.

2012 NINE-MONTH RESULTS

(figures in million euro)

REVENUES

3,322.0 (+14.5%)

EBITDA

473.6 (+1.5%)

EBIT

242.6 (+0.9%)

INVESTMENTS

**183.8
(100% operating)**NET FINANCIAL
DEBT**2,114.9**

Focus on 2012 nine-month results

/// The Gas area, thanks to the sizeable increase in prices and volumes, has driven the significant expansion of Group revenues (+14.5%).

/// The evolution of consolidated EBITDA, growing by 1.5%, synthesises the heterogeneity of the performance in the different business areas: the healthy performance in Gas and Water has been almost completely counterbalanced by the pressures affecting Waste and Electricity Energy.

/// Even net financial charges, which rise because of high spreads – despite a net debt remaining under control – affect the bottom line.

/// Net profit after minorities, in spite of the hard environment in which it has been achieved, anyhow presents a 3.7% increase.

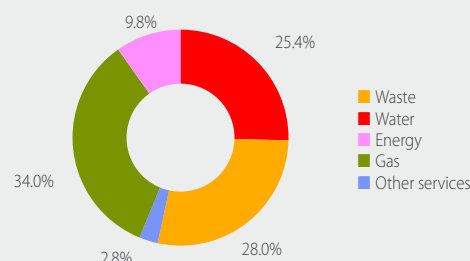
During the first nine months of 2012 Hera consolidated revenues show a sizeable growth (+14.5%), despite they decelerate if compared to the pace experienced in the first half of the year (+15.9%). Volumes of gas sold were the main driver of revenues. Higher raw material prices, which provided a positive contribution in terms of the headline, have however put margins under pressure, owing to rising operating costs. Consolidated EBITDA therefore shows a limited improvement, equal to 1.5%. At the end of September, EBIT

reaches 242.6 million euro, increasing by 0.9%, after the absorption of Depreciation and Provisions for 231.0 million euro (+2.1%). Pre-tax profit, which, declining by 5.8%, amounts to 147.1 million euro, reflects the higher net financial charges that, mainly owing to higher spreads, increase from 83.4 million euro as of 30 September 2011 to 95.5 million euro. Net profit, equal to 79.6 million, falls by 5.2%, while Net Profit after Minorities presents a 3.7% increase, from 67.7 to 70.2 million euro.

EBITDA

m€	9M 2011	9M 2012	Change
Waste	149.2	132.5	-11.2%
Water	111.6	120.1	+7.6%
Gas	137.7	161.2	+17.1%
Energy	55.5	46.6	-16.1%
Other services	12.7	13.2	+4.3%
TOTALE	466.7	473.6	+1.5%

9M 2012 EBITDA Breakdown



Considering each business area, **Gas** is the one achieving the most sizeable increase, thanks to the strong expansion in volumes of gas sold (+13.6%), and to the contribution of volumes of distributed gas, which is not negligible (+3.1%); both were above the national average increase (+0.9%); even volumes of heat supplied show a sizeable growth (+7.9%).

The improvement in Gas EBITDA in particular reflects higher sales margins, thanks to favourable

contracts in the commodity purchase.

Even the **Water** EBITDA (+7.6%) has provided a positive contribution to the Group EBITDA, thanks to revenues growing by 4.5% and to an EBITDA margin improving from 25.4% to 26.2%. The **Waste** EBITDA (-11.2%) then mirrors the cessation of CIP6 incentive on WTE plants, with a negative impact of some 12 million, while volumes declined, owing to the recession and to unfavourable weather conditions. The third

quarter has recorded a drop in waste industrial treated volumes of -0.7%, indicating a dramatic deceleration in the negative trend compared to the early months of the year.

Lastly, the **Electricity** EBITDA presents a 16.1% decline, in spite of revenues growing by 12.9%, because of higher commodity prices, while the drop in consumptions led to a fall in volumes, both sold (-2.4%) and distributed (-2.9%).

Resolutions of the Extraordinary Shareholder Meeting of 15 October 2012

/// Approved the merger by incorporation of Acegas-Aps Holding srl, controlling Acegas Aps SpA with a 62.69% stake, into Hera SpA. The merger will be legally effective as of 1 January 2013.

The share exchange ratio has been set equal to 0.76266304 Hera ordinary shares for a nominal 1 euro of Acegas-Aps Holding srl share capital, plus a cash payment equal to 0.01812273 euro per nominal 1 euro of Acegas-Aps Holding srl share capital. Upon completion of the merger by incorporation, Hera will launch a cash and stock tender offer for all Acegas-Aps SpA ordinary shares, at a ratio of 4.15994709 newly-issued Hera ordinary shares for each Acegas-Aps SpA share, which have a nominal value of 5.16 euro each, minus the cash consideration equal to 0.2734235227 euro due for each Acegas-Aps SpA share used in taking up the offer.

In order to meet the cash and stock tender offer, the Hera

Extraordinary Shareholders' Meeting approved the linked issue of up to 84,833,826 ordinary shares. The capital increase must be carried out by 31 December 2014. In order to meet the transaction that will allow FSI to acquire a stake in Hera share capital, the Extraordinary Shareholders' Meeting has resolved to authorise the Board of Directors to increase share capital against payment, on one or more occasions and by tranches, by a nominal total of 80 million euro (80 million shares). The Board of Directors may carry out the capital increase within a maximum of three years from 15 October 2012. The BoD has also been granted with all necessary powers to decide, on each occasion, the procedures, terms and conditions for the capital increase.



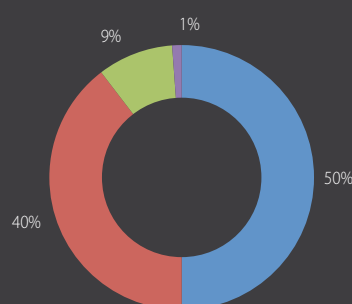
2012-2016 Business Plan

- The new Plan not only considers the positive contribution stemming from all present Hera business areas; it also includes the effects of the aggregation of Acegas Aps and the acquisition of a stake in the Company's share capital by FSI.
- A sizeable increase in EBITDA is expected: it would rise close to 1 billion euro.
- Thanks to a strong cashflow generation, Hera aims to further enhance

its financial strength while executing a capex plan of 1.94 billion.

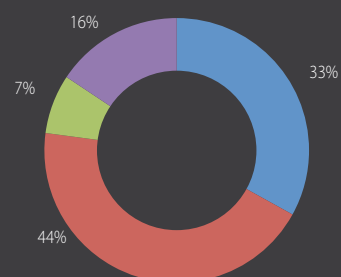
- The whole strategic structure of the Plan is geared to guarantee satisfactory shareholder returns. The targeted EpS CAGR, around 5%, represents a significant premise in this direction. Hera is committed to distribute a Dividend per Share of at least 9 cents in each of the 5 fiscal years included in the Plan.

2012-2016 EBITDA growth: contribution by business area



■ Networks
■ Waste
■ Energy
■ Other

2012-2016 EBITDA growth: contribution by organic growth, synergies and M&A



■ Hera Synergies and Organic Growth
■ Acea Aps stand alone
■ Synergies for Acegas Aps aggregations
■ Gare gas Hera tenders + Aimag

TARGETS OF THE NEW BUSINESS PLAN

- 2016 EBITDA** 990 million euro / +9% CAGR 2011-2016 (2011 EBITDA: 645 ml euro)
- 2016 Free CashFlow** 225 million euro
- 2016 EPS** ca. 0.12 euro / +5% CAGR 2011-2016 (2011 EPS: 0.094 euro)
- 2012-2016 DPS** At least 9 cent euro per year
- 2012-2016 CAPEX** 1.94 billion euro
- 2016 NET FINANCIAL DEBT/EBITDA** 2.7x (3.1x in 2011)

Fondo Strategico Italiano acquires a stake in Hera share capital, ready to invest 100 million euro

On 3 September 2012 Hera has accepted the proposal from Fondo Strategico Italiano setting out the terms under which FSI will acquire a stake in Hera that could amount to 6% of share capital, providing new financial resources up to a maximum amount of 100

million euro. Once completed the integration with Acegas Aps, by 3 September 2013 Hera will launch a capital increase, up to a maximum of 80 million new shares, of which FSI will take up any shares left unsubscribed by acquiring the related right options. FSI, which is about to become a long-term shareholder in Hera register, will appoint a Board Director.

Who is FSI?

FSI is the financial holding company established with the Ministerial Decree dated

8 May 2011. It is 90% owned by Cassa di Risparmio di Firenze (the public SpA 70% controlled by the Minister of Economy and Finance, and 30% controlled by bank foundations). Statute foresees that FSI invests in "major national interest" companies, operating in sectors which are key to Italy. Hera is the first company in the public utilities sector that FSI has targeted for investment.

Hera share

Price as of 12 November 2012: **1.3 €**

Low-High 365 dd: **0.96-1.33 €**

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

Mkt. Cap.: **1.45 bn €**

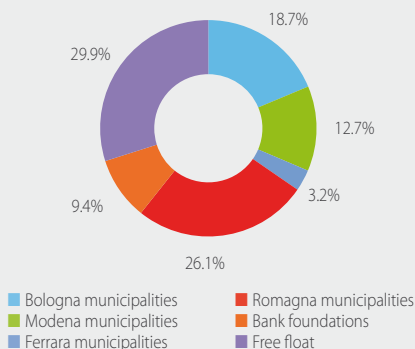
Specialist: **Merrill Lynch**

Consensus target price **1.48 €**
(source: broker research)

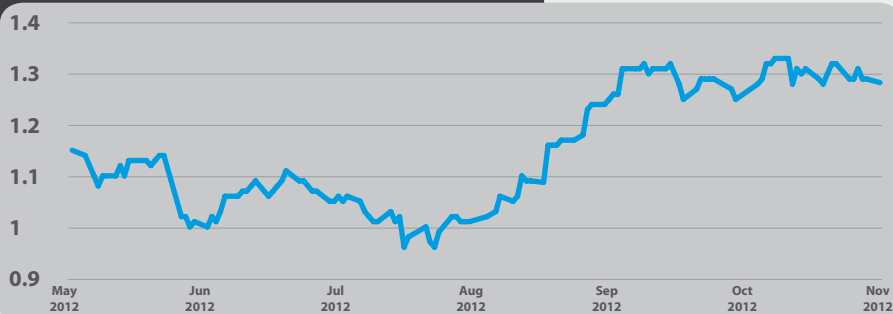
Hera's stock index membership

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

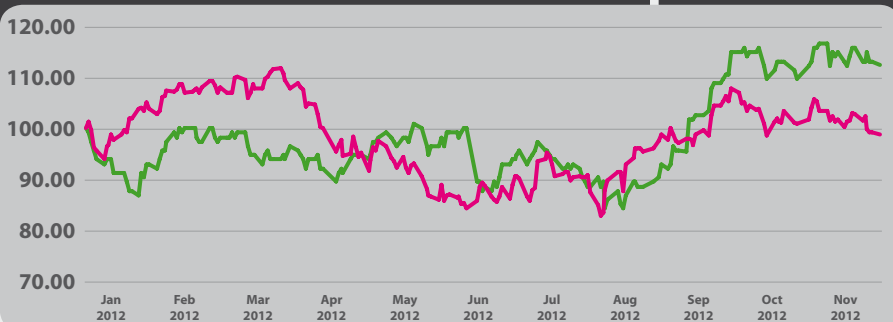
Shareholders



Hera's stock price - 6-month absolute performance



Hera vs. FTSE Italia All-share Index performance since beginning 2012



Since the release of interim results (on 28 August 2012) to date, the price of the Hera share has outperformed the index of the Italian equity market, driven both by the news about the FSI stake and by the presentation of the new Business Plan to 2016, which took place on 22 October. After having bottomed in late July- early August (low of 0.96 euro on 26 July and on 2 August), the Hera share has started a wide-breath rally which led the price to reach the year-high, at 1.33 euro, on 19 October. The increase achieved in moving from the August low to the new October high is equal to 38.5%. Starting from mid-September the share is consolidating the previous strong price increase, through a lateral movement around the 3 euro level.

ANALYST COVERAGE

Consensus target price showed a slight increase compared to the figure of the last issue of the newsletter (end of August), moving from 1.41 to 1.48 euro. Brokers covering the stock remain 11. Most brokers' ratings (6 out of 11) again suggest to buy despite the recent price rise, since even at present levels around 1.3 euro, the stock continues to present a sizeable discount vs. the valuations indicated by the analysts. Considering consensus target price of 1.48 euro, recent prices indicate a 14% undervaluation.

Broker	Target price €	Rating	Broker	Target price €	Rating
Banca Akros	1.60	Buy	Deutsche Bank	1.80	Buy
Banca Aletti	1.40	In line	Equita	1.45	Hold
Banca IMI	1.42	Hold	Intermonte	1.55	Outperform
CAI Cheuvreux	1.55	Outperform	Kepler	1.60	Buy
Centrobanca	1.40	Hold	Mediobanca	1.23	Neutral
Citi	1.30	Buy	Average	1.48	

12 November 2012



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