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The first-half results' press release and the Interim Report as of June 30th, 2010 in the HTML version are available on our website at:

www.gruppohera.it

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HeraNews

Investors' Newsletter



H1 2010 results presented: message from the Chairman of the Board

Dear Shareholders,

First-half results proof that our operational management and the strategy we have executed over time were both effective. Even though revenue dynamics were influenced by the fall in prices of energy commodities, as we have already experienced in Q1, Hera has achieved sizeable improvements at EBITDA level (+15.5%) as well as at bottom line, where the increase over H1 2009 was close to 34%.

Over the first six months of 2010 we have benefitted from the contribution of new plants, thanks to the Modena WTE and the Imola co-generation plant fully operational at this point and to the Rimini WTE starting operations last June. Moreover, we have seen material results from past marketing actions. They have allowed us to significantly expand our client base in liberalized markets and to generate higher volumes. In H1 2010, for instance, electricity clients increased by 5%, whilst treated waste - namely urban and special waste - expanded by over 8% vs. H1 2009. Undoubtedly the economic upturn signals, which we early experienced at the end of the first quarter, became more evident. Nonetheless, we believe that the extent to which our volumes increased - both in gas sales and distribution, in electricity and treated waste - does not only reflect an improving economic framework, but even past initiatives that Hera undertook in order to gain new market shares. A further driver of organic growth and of profitability increases was the performance of regulated business areas, thanks to the tariff adjustments in Water and Waste and to the higher RAB (Regulatory Asset Base) recognized in gas distribution.

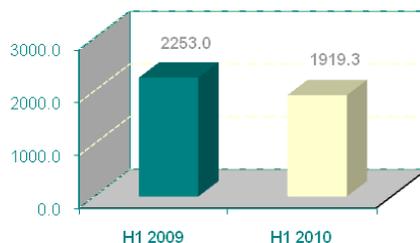
The positive contribution from all business areas has therefore allowed Hera to accelerate the EBITDA growth rate in Q2 2010 vs. Q1: hence, while over the first three months EBITDA increased by 11.1%, the change over the same period of 2009 at the end of the first half reached 15.6%. We have furthermore confirmed to have left the peak of investments behind us; together with the net working capital decrease, this helped to keep net financial debt below 2 billion euro and to generate free cashflow. Interim results therefore confirm that we are following the expected path in each area of our business portfolio; I think that these results also strengthen the visibility of the business plan targets that we are committed to achieve.

Tomaso Tommasi di Vignano

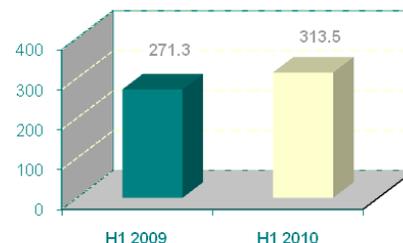


"The positive contribution from all business areas has allowed to accelerate the EBITDA growth rate in Q2 2010 vs. Q1".

REVENUES € mn



EBITDA € mn



2010 FIRST HALF

(data in million euro)

REVENUES 1,919.3 (-14.8%)

EBITDA 313.5 (+15.6%)

EBIT 174.8 (+21.6%)

INVESTMENTS 160.6

NET FINANCIAL DEBT 1,970.6



Focus on 2010 interim results

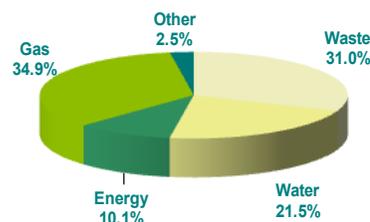
In the first half of 2010 **all business areas have showed an increase in volumes: that performance** partly contained the 14.8% decline in revenues, stemming from the fall in prices of energy commodities, which generated a decrease in trading activities of the electricity sector and led to a lower value of methane gas sales in spite of rising volumes.

EBITDA, up by 42.2 million to 313.5 million euro, reflects a substantial contribution (of **31.2 million**) from the “**synergies and organic growth**” component besides a sizeable contribution from **new plants (11 million)**. The EBITDA Margin grows from 12.0% to 16.3%, confirming that at present Hera’s asset portfolio can generate attractive levels of profitability even in case of unfavourable dynamics of commodity prices.

All margins below EBITDA present wider increases if compared to their respective H1 2009 values. **EBIT improves by 21.6%**, in spite of depreciation remaining high due to recent investments, while **net profit** post minority interests grows by **33,8%**, reaching 62.6 million, even after a 42.4% tax rate: the jump in net profit was made possible by net financial charges under control and by the lack of items linked to the “fiscal moratorium”, which had absorbed 4.8 million in H1 2009.

VOLUMES	H1 2009	H1 2010	Growth
Power Generation (GWh)	3190.3	3710.6	16.3%
Gas Distribution (mn m3)	1349.6	1475.6	9.3%
Gas Trading (mn m3)	230.2	368.6	60.1%
Heat Volumes (GWh)	271.7	313.9	15.5%
Urban waste	877.4	930.8	6.1%
Industrial Waste	733.7	810.1	10.4%

H1 2010 EBITDA BREAKDOWN



EBITDA	H1 2009	H1 2010	Change
Waste	84.3	97.1	15.2%
Water	59.5	67.5	13.5%
Gas	90.9	109.3	20.2%
El. Energy	26.0	31.8	22.3%
Other	10.7	7.8	-27.2%
TOTAL	271.4	313.5	15.6%

(data in mn euro)

ing the heat sector, which benefitted from the contribution of the new co-generation plant at Imola.

The **Waste** EBITDA posted a sizeable growth, driven by higher treated volumes and by the consequently more efficient use of plants, particularly for the Modena WTE.

In the **Water** sector tariff increases compensated for the lower revenues from new connections, in a real estate market that remains slack.

Electricity, contributing to roughly one third of consolidated revenues, improves its marginality from 2.8 to 4.9%, so increasing its weight on Group EBITDA over 10%. Lower electricity prices, which resulted in a substantial decline of revenues from trading (-51,1%), was compensated by positive effects on volumes deriving from an improved economic environment and from new market shares that Hera has recently gained (as at 30 June 2010 clients were up to 350,000).

All business areas posted EBITDA increases vs. H1 2009, with the only exception of the Other Services, a sector that is still under rationalization.

The **Gas** sector remains the one providing the most relevant contribution to consolidated EBITDA, despite the weakness of commodity prices, thanks to the improvements experienced in all activities, including

Hera's asset portfolio - Focus on WTE plants

The profile of Hera's asset portfolio dramatically changed over the last years, in line with the expansion of Invested Capital. As a result of a demanding capex plan, at present Hera can count on a platform of plants that are new and efficient. This led the Group to decrease the sensitivity of its P&L results to exogenous factors, such as mild winter temperatures or oil price falls.

In the Waste sector in particular Hera can count on an asset base consisting of 77 treatment and recovery plants, out of which the 7 following WTE plants:



Chimney of a WTE plant

KEY FIGURES IN WASTE IN 2009

5.1 million tons of waste treated at plants of the Hera Group

735k tons of waste treated at the WTE plants

77 plants, of which **7** WTE plants

WTE PLANT	HEAT CAPACITY (MWT)	INSTALLED POWER	
		GENERATION CAPACITY (MWT)	TREATMENT CAPACITY (ton/d)
FEA Bologna	81.4	22	600
Modena	105.7	30	870
Ferrara	55.7	12.9	420
Rimini	68.4	15.7	560
Forli	46.5	10.6	380
Ravenna F3 Herambiente	19	4.2	125
Ravenna F2 e FIS Herambiente	5	6	4

The sale of a 20% stake in Herambiente

Hera has planned over time the founding and the consolidation of its leadership in the Italian waste market, which provides high-growth opportunities. An important step of this track was to provide a corporate structure to the activities managed in this sector, precisely through the establishment of Herambiente, which took place on July 1st, 2009.

The new company, 100% controlled by Hera, incorporated the whole of waste assets - landfills, waste-to-energy plants, composting plants, and chemical-physical plants - besides service activities and stakes that Hera owned in other waste companies.

On July 27th Hera signed an agreement for the sale of a 20% stake in the capital of Herambiente to the financial partner EISER Global Infrastructure Fund. The stake has

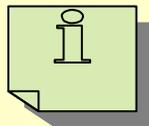
been valued 105.6 million euro (subject to price adjustments at the deal closing date) - this implies an overall valuation of Herambiente of 528 million euro.

The entry of EISER Global Infrastructure Fund - who has an option to increase its stake up to 25% - takes place in a medium-to-long term investment perspective.

Thanks to the sale proceeds Hera will be allowed to leverage not only on its consolidated know-how, but also on fresh money to successfully compete in a sector in which lots of plant could be built over the coming years.



Modena WTE



CONTACTS

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FINANCIAL CALENDAR 2010

August 26th
BoD for the approval of 2010 Interim Results

November 11th
BoD for the approval of Q3 2010 results



Imola CCGT

HERA SHARE

Price as of 25 Aug.2010: **1.4 €**
High-Low 365 dd: **1.8-1.3 €**
N. outstanding shares: **1,115,013,754**
Mkt. Cap.: **1.5 bn €**

Specialist: **Banca IMI**

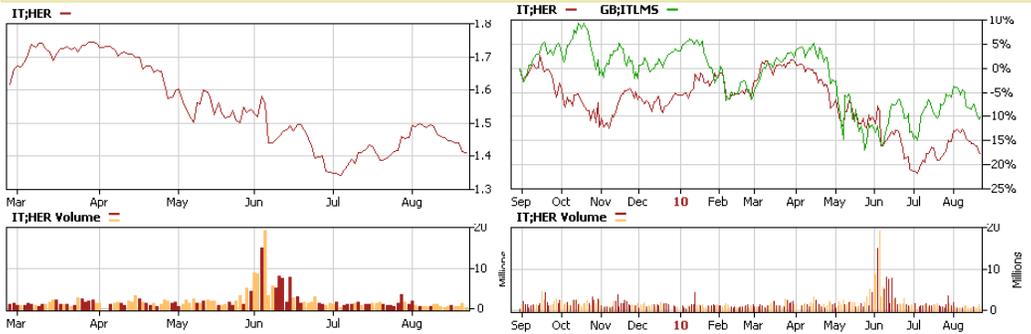
Consensus target price **2.03 €**
(source: brokers' research)

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 on **November 11th**

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

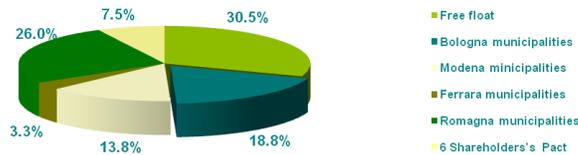


Fonte: Thomson Reuters

Over the last six months the Hera share price showed erratic movements, dominated by high volatility. On 29 and 30 March 2009 the price reached a high at 1.75€; then it declined bottoming at a low of 1.34 € on 5 July 2010. The 1-year performance compared with the Italian equity market index (FTSE All-share index) in the chart on the right indicates that Hera outperformed the index from September 2009 to February 2010; after that, Hera anticipated the correction of the index in March and showed a wider fall than the market in June. Starting from July, Hera presented movements that were parallel to the ones of the Italian market. In the first half of June, close to the date of dividend payment (6 June), Hera shares showed repeated volume peaks, ranging from 8 to 19 million daily traded volumes.

Shareholding and Analyst Coverage

MAIN SHAREHOLDERS



The 7.5% 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.

The average target price of analyst covering the stock did not change compared to the situation at the time of the last issue of this newsletter: it slightly moved from 2.04 to 2.03 €. Given the present share price, with an average target price of 2.03 €, Hera presents a potential revaluation upside of 45%.

	Aug. 25,	
Broker	Target price €	Rating
Banca Akros	2.3	Buy
Banca IMI	2.0	Add
Banca Leonardo	2.1	Buy
CAI Cheuvreux	2.0	Outperform
Centrobanca	1.8	Hold
Deutsche Bank	2.3	Buy
Equita	1.9	Buy
Intermonte	1.8	Neutral
Kepler	1.9	Buy
Mediobanca	2.0	Outperform
Merrill Lynch	2.0	Buy
Santander	2.3	Buy
Unicredit	2.0	Buy
Average	2.03	

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