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Message from the Chairman of the Board

Results of Fiscal Year 2013 reflect a substantial organic growth and the successful integration of AcegasAps



Dear Shareholders, results of Fiscal Year 2013 prove that Hera further accelerated along the path of profitable growth that has consistently characterised its history over the past 11 years. The AcegasAps aggregation has expanded the geographical presence in strategic areas of Italy, widened the size of the Group and generated strongly increasing financials, with a 39% rise at bottom line.

What made such result possible? First of all, the non-dilutive conditions at which the Public Offer of Purchase and Exchange was completed; secondly, the combined effect of a wider consolidation perimeter with the synergies already extracted in 2013 above expectations, thanks to the similarity of the business mix with the merged company and to the successful commercial policies, which could leverage on a larger client basis; thirdly, the convincing performance in terms of organic growth.

The 169 million increase of 2013 EBITDA is attributable by ca. 76% to the incorporation of AcegasAps, by 4% to the resulting synergies and by a not entirely negligible 20% to organic growth. The timely execution of the Strategic Plan has allowed us to successfully face the pitfall of a further year of crisis in Italy: in 2013, despite a 1.9%

decline in GDP, we managed to contain the recession impact on the volumes of the liberalised businesses, in particular achieving a turnaround in Waste volumes. We have also aimed to maintain a cautious risk profile, with strict provisioning policies on credits, which make the net profit reached even more appreciable. Eventually, the 2013 Annual Report also proves the higher level of financial efficiency gained: debt shows a reduction in terms of cost and a lengthening in terms of duration, besides an improved debt-to-equity ratio, thanks to the success of the capital increase.

The sound cash flow generation of Hera allows to propose the distribution of a dividend of 0.09 euro, in line with the amount presented in the Plan; such dividend provides our shareholders with a 5.5% remuneration

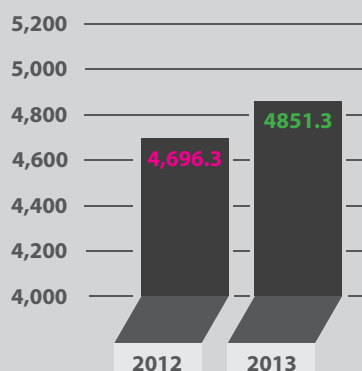
on the basis of the 2013 year-end price, equal to 1.65 euro. We can therefore look ahead confidently to 2014, while continuing to consistently manage both organic growth and AcegasAps integration, being aware of the upside that might be added by the M&A deals recently signed in Gorizia and by the acquisition of the 100% of Amga, which we expect to finalise in the first half of the year.

Tomaso Tommasi di Vignano

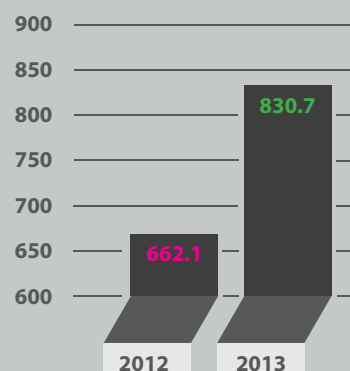
IN 2013 HERA EBITDA GREW BY 25.5%, WHILE THE ITALIAN GDP DROPPED BY 1.9%.

A clear strategy, combining organic growth and M&A, has been timely executed in 2013.

Revenues m€



EBITDA m€





FISCAL YEAR 2013

(figures in million euro)

REVENUES

4,851.3 (+3.3%)

EBITDA

830.7 (+25.5%)

EBIT

415.8 (+23.9%)

INVESTMENTS

314.5

(of which 313.8 operating)

NET FINANCIAL DEBT

2,595.3

Focus on year 2013 financial results

/// Approximately 77% of the consolidated EBITDA growth, amounting to 168.6 million, stems from the inclusion of AcegasAps in the scope of consolidation. The EBITDA weight on Revenues improves from 14.7% to 18.1%, proving that the aggregation has allowed a dimensional jump while favouring an improvement in profitability.

/// The 25.5% growth in Group EBITDA benefits from a very strong performance in the Water business (+40.4%), thanks to a tariff system implying the convergence towards a full coverage of costs, as well as in the Electricity area (+37.3%), which takes advantage from the AcegasAps aggregation. Even Waste performance (+29.5%), the one most directly affected by the negative economic cycle, is noteworthy, in particular thanks to the marked increase in treated volumes.

The results of Fiscal Year 2013 of the Hera Group, which include in the scope of consolidation AcegasAps following up the merger through incorporation that was effective from 1 January 2013, show an EBITDA increase of 168.6 million euro (+25.5%), of which 141.5 million attributable to the AcegasAps consolidation and 27.1 million to the Hera performance.

EBITDA

m€	12M 2012	12M 2013	Change
Waste	183.5	237.7	+29.5%
Water	158.3	222.3	+40.4%
Gas	240.7	276.2	+14.7%
Electricity	62.3	85.5	+37.3%
Other	17.3	9.2	-46.9%
TOTAL	662.1	830.7	+25.5%

The 25.5% increase in consolidated EBITDA indicates the positive contribution from all Hera business areas. **Water** shows the most dynamic performance (+40.4%, +64.0 million), mainly due to the AcegasAps integration (+53.0 m); even newly-agreed tariffs play a favourable role, given the implied convergence towards a full cost coverage. In **Electricity**, where the number of customers increased by 32.9%, strong growth in distributed volumes (+33.0%) has allowed to

counterbalance the impact of a drop in sold volumes (-1.2%), as a consequence of a decline in demand (-3.5%); the EBITDA of this segment therefore presents an overall increase of 37.3% thanks to the highest intermediation margins. Even the **Waste** EBITDA increase (+29.5%) is above the average growth of Group EBITDA, thanks to the essential contribution provided by AcegasAps (42.5 million, out of a total Waste EBITDA increase of 54.2 million); the

The EBITDA margin presents a substantial improvement, from 14.7% in 2012 to 18.1%.

Depreciation linked to new investments and the wider plant basis, together with the cautious provisioning to risk funds have led to the strong increase (+27.0%) in the Depreciation and Provisions item. Even EBIT presents a double-digit growth (+23.9%).

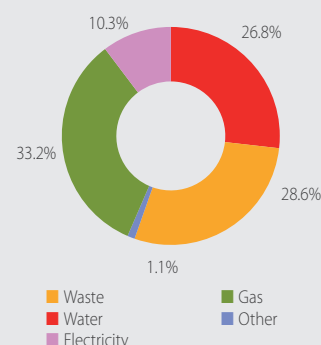
Net financial items are negative by 155.1 million euro (+26.4 million vs. 2012); such increase reflects a 16.1 impact from the AcegasAps integration, partly counterbalanced by the decline in interest rates. The 2013 P&L Accounts moreover present 45.2 million euro posted as "other non operating revenues": an amount stemming from the comparison of the purchase price respectively of AcegasAps and Est Reti Elettriche with the fair value of their net assets.

Taxes, equal to 124.3 million euro, weight for 40.6% on the pre-tax profit of 306.0 million: excluding the impact of "other non-operating revenues", tax rate amounts to 46.1%, showing an improvement compared to the 47.0% of FY2012.

Net profit pre-minorities amounts to 181.7 million euro, increasing by 35.2% over the previous fiscal year.

result in this area also benefits from a strong expansion commercialised (+18.6%) volumes as well as from higher utilisation of plants, with the advantage of a cut in fixed costs. Lastly, in the **Gas** area the 22.0% increase in distributed volumes has driven the 14.7% EBITDA growth, neutralising the negative impact of sold volumes (-8.4%), which was mainly attributable to weaker trading activities on the wholesale market, presenting lower margins.

2013 EBITDA Breakdown





New milestones in Amga aggregation

/// Hera continues to develop and streamline the Group presence in Friuli-Venezia Giulia by leveraging on AcegasAps local roots. The territory proximity and the complementarities in the sales chain pinpoint the benefits that the Amga integration into the Hera Group will be able to generate.

On **12 March 2014** Hera was informed that the **Antitrust** resolved not to open the inquiry into the merger by incorporation of Amga in Hera. Presently Hera holds 6.7% of Amga through AcegasAps. Since this fulfils one of the conditions precedent provided for, the process of aggregation of the multiutility company that is 58.69% controlled by the Udine Municipality can proceed. Amga signed a **framework agreement** with Hera on **23 January 2014** shaping the project of merger by incorporation. The

deal will be submitted for approval to the shareholders of Hera SpA and Amga-Azienda Multiservizi SpA whose **Meetings** will take place on **23 April 2014**. Once resolved the approval, the **merger** will take effect as of **1 July 2014**.

Following to the merger:

- Amga gas distribution activities will be transferred to AcegasAps, which will change its name to AcegasApsAmga;
- Amga Energy sales and heat management activities will be transferred to Hera Comm.

DEAL STRUCTURE

- Exchange ratio of 572 ordinary Hera shares (N.V. € 1.00) for every Amga share (N.V. € 500.00).
- Hera capital increase for up to a nominal amount of € 68,196,128.00 (68,196,128 new ordinary shares with a N.V. of € 1.00, representing less than 5% of post-merger Hera share capital).
- Comune di Udine receiving 44,134,948 newly-issued shares (accounting for 2.98% of Hera share capital less Hera shares held in treasury at 31 December 2013).

POST-MERGER FIGURES

- **1,7 million** gas distribution delivery points (out of which ca. 500 thousand in Friuli-Venezia Giulia and Veneto).
- Over **2 million** electricity and gas customers.
- **380 thousand** street lights managed (out of which 85 thousand in Friuli-Venezia Giulia and Veneto).

Hera awarded with prestigious prizes

/// The prizes that Hera is awarded prove the continuous quest for effective stakeholder dialogue and engagement.

ITALIAN KWD WEB RANKING: FIFTH PODIUM IN A ROW FOR HERA



With a score of 80.5, Hera succeeded in ranking third in the 2013 Italian Webranking that KWD presents every year, as a result of its monitoring of online communication quality presented by listed companies. The score achieved by Hera (80.5) comes just after the one of Telecom Italia (88.8) and Eni (86.1). Such score has been achieved by the Company while having online

the previous release of its corporate website, presently replaced by a new restyled one. Hera scored very high especially in the section dedicated to financial information, corporate social responsibility and, last but not least, in the pages focusing on careers.

On 28 February 2014 Hera was awarded by **Top Utility with the first absolute prize in the "Communication" section**. In particular they appreciated Hera effort in launching a deeply restyled website, very rich in terms of

interactive content, and the wide use of social tools when dialoguing with clients.

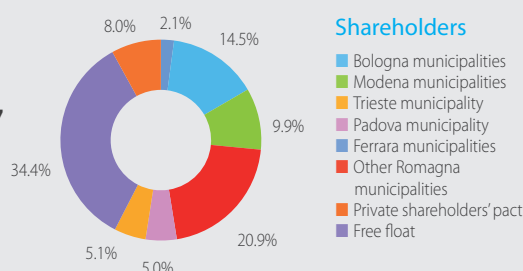


For the fifth year in a row Hera has been certified as Top Employer Italia 2014, on the back of excellent working conditions provided to staff and in consideration of outstanding training and management of human resources. This year Hera is awarded a second place among the best Italian companies to work for, sharing the podium with PepsiCo and Novartis.

Hera share

Price as at 19 March 2014: **1.94 €**
 Low-High 365 dd: **1.29-1.98 €**
 No. outstanding shares: **1,421,342,617**
 Mkt. Cap.: **2.76 bn €**

Consensus target price **2.08 €**
 (source: broker research)



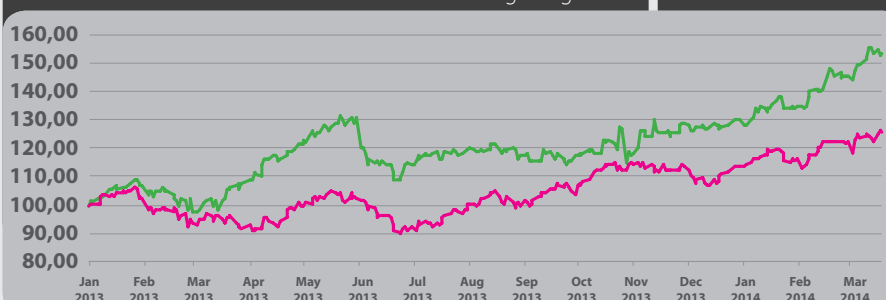
Hera's stock index membership

FTSE Italia | All-Share Capped + All-Share+ Mid Cap + Servizi Pubblici
 STOXX | Total Market Index+Europe+Europe ex-UK+Italy
 STOXX | TMI+Europe nei segmenti: Utilities, Gas-Water & Multiutilities, Value
 Axia Ethical / Kempen SNS Smaller Europe SRI Index
 FTSE ECPI | Italia SRI Benchmark + Italia SRI Leaders + Ethical Index EMU

Hera's stock price since beginning of 2013



Hera vs. FTSE Italia All-share Index – Performance since beginning of 2013



Since the beginning of 2013 the Hera stock has continuously outperformed the Italian All-share Index, opening a gap that has exceeded 30% at recent prices. Hera stock price reached a high of 1.98 euro on 13 March 2014, thanks to a market favourably discounting the growth the Group achieved through AcegasAps aggregation and the further attractive opportunities that the new strong competitive position makes likely in the consolidation sector process which is underway in Italy. During the last few weeks the stock uptrend showed a further acceleration, following the successful conclusion of the capital increase at year-end, while the acquisition of 100% of Amga is becoming more and more visible.

ANALYST COVERAGE

Broker	Target price €	Rating
Banca Akros	2.10	Accumulate
Banca IMI	2.20	Add
Equita	1.95	Buy
Goldman Sachs	2.30	Buy
ICBPI	1.92	Buy
Intermonte	2.00	Outperform
KeplerChevreux	1.95	Buy
Mediobanca	2.20	Outperform
Average 8 brokers	2.08	

19 March 2014

The number of analysts covering the Hera stock moved from 6 to 8, compared to the picture in the last issue of the newsletter. On 17 February 2014 Goldman Sachs initiated the coverage on the Hera stock with a Buy rating and a target price equal to 2.30 euro, including the stock in its Pan-European Conviction Buy List. On 3 March 2014 Mediobanca Securities re-initiated the coverage with a target price of 2.20 euro and an Outperform rating. The average broker target price shows a substantial change, since it moved from 1.61 euro as at 12 November 2013 to 2.08 euro. Even the profile of recommendations sizeably improved, as the previous three neutral ratings disappeared. Total absence of selling recommendations continues.

/// **20 March 2014**
BoD for FY 2013 results

/// **23 April 2014**
Annual Shareholders' Meeting

/// **14 May 2014**
BoD for the approval of Q1 2014 results

/// **27 August 2014**
BoD for the approval of H1 2014 results

/// **13 November 2013**
BoD for the approval of 9M 2014 results



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